the Freeman

Ideas on Liberty

APRIL 1978

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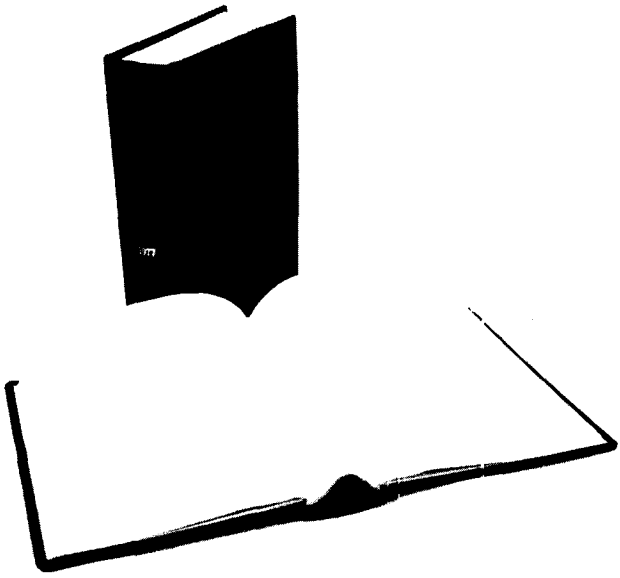

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Charles Dykes

Guilt, Responsibility and Western Prosperity

ONE of the great differences between ancient paganism and early Christianity was in their varying concepts of responsibility. Responsibility has generally been defined as "the human sense of answerableness for all acts of thought and conduct."[1] The pagan, however, located responsibility primarily in his environment—e.g., fate, the stars, the gods, and the like, whereas Christian faith insisted on individual moral responsibility. Orthodox Christianity was not then nor is it now "concerned with the pointless questions about heredity, environment, the stars, or any other like search for a cause." Rather the Christians perceived that "the pagan search for causes is a denial of the person and also of responsibility."[2]

Ours is a time when the pagan and Christian concepts of responsibility are often curiously mixed in the same minds, resulting in a strange new doctrine wherein some men are considered to be the helpless victims of environmental determinism, while others are declared to have a free will, albeit an evil one.

In his analysis of egalitarianism, P. T. Bauer provides an example of this kind of thinking: "The poor are often envisaged as a distinct class at the mercy of the environment, with no will of their own, while at the same time they are denied the primary human characteristic of responsibility. The rich are regarded as having a will of their own, but as being villainous. Poverty is seen as a *condition* caused by external forces, while prosperity, is viewed as the result of *conduct,* although reprehensible conduct. The poor are considered passive but virtuous, the rich as active but wicked."[3]

Mr. Dykes is a businessman, free-lance writer and enthusiastic advocate of the free market.

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Thus in contemporary egalitarian demonology, the "rich" and their machinations have become the "stars," "fate," or other "causes" which afflict the "poor."

Search for Scapegoats

This abiding human passion to transfer responsibility for one's own sin and failure to someone or something else can be illustrated by innumerable examples. Some years ago, G. K. Chesterton wrote of his encounter with anti-Christian books in days prior to his conversion. He noted that Christianity "was attacked on all sides and for all contradictory reasons. . . ." He continues, "I was much moved by the eloquent attack on Christianity as a thing of inhuman gloom. . . . They did prove to me in Chapter I. (to my complete satisfaction) that Christianity was too pessimistic; and then, in Chapter II., they began to prove to me that it was a great deal too optimistic."

He was impressed by the argument that Christianity was weak, timid and cowardly with regard to fighting, then turned the page and "found that I was to hate Christianity not for fighting too little, but for fighting too much. Christianity, it seemed, was the mother of wars" and "had deluged the world with blood. . . . The Quakers (we were told) were the only characteristic Christians; and yet the massacres of Cromwell and Alva were characteristic Christian crimes."[4]

A few years later Ludwig von Mises was moved to say that "Nothing is more unpopular today than the free market economy, i.e., capitalism. Everything that is considered unsatisfactory in present day conditions is charged to capitalism. The atheists make capitalism responsible for the survival of Christianity. But the papal encyclicals blame capitalism for the spread of irreligion and the sins of our contemporaries, and the Protestant churches and sects are no less vigorous in their indictment of capitalist greed. Friends of peace consider our wars as an offshoot of capitalist imperialism. But the adamant nationalist warmongers of Germany and Italy indicted capitalism for its 'bourgeois' pacifism. . . . Sermonizers accuse capitalism of disrupting the family and fostering licentiousness. But the 'progressives' blame capitalism for the preservation of allegedly outdated rules of sexual restraint."[5]

Thus Christianity and capitalism have often been the "scapegoats" on which the sins and shortcomings of many have been laid. More recently, the wealth of Western nations—a product of Christian capitalism—has been attributed to "neocolonialism," the indictment put forward by socialists of all stripes that the nations of the Western

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world (the "haves") derive a large and essential part of their affluence from exploitative investments in the underdeveloped nations (the "have-nots").

President Julius Nyerere of Tanzania put it this way: "I am saying it is not right that the vast majority of the world's people should be forced into the position of beggars. . . . In one world, as in one state, when I am rich because you are poor, and I am poor because you are rich, the transfer of wealth from the rich to the poor is a matter of right; it is not an appropriate matter for charity. . . ."[6] Here we have not only the accusation that the rich nations are responsible for the poverty of the poor nations, but also the claim that the rich have a moral responsibility to redistribute their ill-gotten gain to the masses of undifferentiated poor.

Accusations of the West

Like the critics of Christianity and capitalism, the Third-World apologists really get carried away. According to Dr. Lewis H. Gann, "the hated American plotters, like the Elders of Zion in the Nazi polemics of old, can do no right. If they invest overseas, they exploit foreigners. If they do not invest abroad, they are guilty of boycotting other countries. . . . If capitalists earn profits, they impoverish the masses. If they do not earn profits, they prove that capitalism must be decadent. If American entrepreneurs try to preserve indigenous customs in the Third World, they promote 'dysfunctional' forms of tribalism. If they disrupt indigenous customs, they are guilty of cultural genocide. The list can be extended indefinitely."[7] Dr. Gann concludes: "The real or assumed machinations of foreign capitalists supply a universal excuse for the political and economic failures of the Third World."[8]

Accusations that the West in general, and capitalism in particular, has caused the poverty, hunger and backwardness of the Third World, are totally without foundation. There are able studies which set forth the truth,[9] but the urge to masochism remains strong, especially among Western intellectuals and churchmen.

P. T. Bauer and B. S. Yamey cite a leaflet put out by a student organization in Cambridge, England: "Almost all of us in this country belong to the small minority of those who made it to prosperity. But we climbed on the shoulders of the rest—the ones we left behind—abandoned to disease, poverty, and unemployment. We took the rubber from Malaya, the tea from India, raw materials from all over the world, and gave almost nothing in return." The truth, according to Bauer and Yamey, is that "Western governments and enterprise

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brought rubber *to* Malaya and tea *to* India which were not indigenous to these countries."[10]

Why the Difference?

Given the obvious economic supremacy of the West vis-a-vis the rest of the world, and given the equally valid, if not so obvious, fact that this supremacy has not been achieved at the expense of the rest of the world, why is the West—and especially America—prosperous, while the remaining two-thirds of mankind are part of the world's hungry billions? We cannot give a detailed explanation here, but can indicate several conditions that were essential in preparing the way for the affluence we now enjoy.

First, one need not be a believer to notice that the poor nations are those where Christianity has had little influence or has not taken strong root. On the other hand, the rich nations, those where agricultural surpluses are a chronic problem, are those where the dominant formative values have been Christian—and in particular, Protestant Christian. Cattle and monkeys thrive in India because they are considered sacred; no Hindu would kill a cow because he is afraid of offending his god, nor are cattle and monkeys usually driven away from crops, even when they are consuming food desperately needed by the starving. Here we see false religion leading directly to bad farming.

Second, the Reformation gave to Europe a new understanding of using and enjoying the material world. The older asceticism was essentially rejected and a new work-ethic emerged which provided the dynamic for the economic explosion that was to follow over the next four centuries. Third, the Puritans assisted mightily in the development of modern science and encouraged men to master their material environment.[11] (It is not well known, but of 68 men on the original list of the Royal Society for whom information on their religious orientation is available, 42 were Puritans.)[12] They were instrumental in bringing the Scientific Revolution, which provided the theoretical and technical foundation for the Industrial Revolution.[13] We should, moreover, not forget the influence of Puritanism on education. Universal education is an inheritance directly traceable back to the Reformers, and their heirs, the Puritans.[14]

And finally, as Irving Kristol has reminded us, "the Founding Fathers *intended* this nation to be capitalist and regarded it as the *only* set of economic arrangements consistent with the liberal democracy they had established."[15]

The above represents, of course, only some of the more important historical antecedents making for

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Western prosperity. In relating this back to present conditions in the Third World, are we not justified in believing that if they are ever to appreciably raise their material standard of living, they must first raise their spiritual, moral, and educational standards. Only by achieving a society committed to individual responsibility and moral accountability for both persons and institutions will they approach the material well-being of the West.

Is it any surprise that the developed nations not only have the most productive economies but that their citizens enjoy the greatest degree of freedom? As Friedrich von Hayek has stated: "What strikes one above all is the general achievement . . . of practically all developing countries which have embarked on the road of consistent market economy to pull themselves out of the mire of poverty. What also strikes one is the hopelessness of those who have tried the road of socialist methods."[16]

—FOOTNOTES—

[1]David Fyffe, "Responsibility," in James Hastings, editor: *Encyclopedia of Religion and Ethics*, Vol. 10, p. 739. Scribners, 1908-1922.

[2]R. J. Rushdoony, *Revolt Against Maturity*, p. 89, Fairfax, Va.: Thoburn Press, 1977.

[3]Irving Kristol & Peter T. Bauer, *Two Essays on Income Distribution and the Open Society*, pp. 17, 18. Los Angeles: International Institute for Economic Research, 1977.

[4]G. K. Chesterton, *Orthodoxy*, pp. 84, 85, 87. Garden City: Image Books, 1959.

[5]Ludwig von Mises, *Planned Chaos*, p. 17, Irvington, N.Y.: FEE, reprinted 1972.

[6]Julius Nyerere, *African Affairs*, pp. 242-50. April 1976, quoted in P. T. Bauer & B. S. Yamey, *Commentary*, "Against the New Economic Order," p. 27. April 1976.

[7]Lewis H. Gann, *Neo-Colonialism, Imperialism, and the 'New Class'*, p. 10. Menlo Park, Ca.: Institute for Humane Studies, Inc., 1975.

[8]*Ibid.*, pp. 4, 5.

[9]See P. T. Bauer, *Dissent on Development*, Cambridge: Harvard University Press, 1972.

[10]P. T. Bauer & B. S. Yamey, *Commentary*, "Against the New Economic Order," p. 27, April 1976.

[11]See R. Hooykaas, *Religion & the Rise of Modern Science*, pp. 135-149, Grand Rapids: Eerdmans, 1961. Also Christopher Hill, *The Century of Revolution*, pp. 92-4, 179-81, New York: W. W. Norton, 1961.

[12]R. K. Merton, *Social Theory and Social Structure*, p. 584 ff., New York: The Free Press, 1967.

[13]Kurt Mendelssohn, *The Secret of Western Domination*, New York: Praeger, 1976.

[14]See Hans J. Hillerbrand, *The World of the Reformation*, p. 212 f., New York: Scribners, 1973. Also Harold J. Grimm, *The Reformation Era: 1500-1650*, p. 592 f., New York: Macmillan, 1954.

[15]Irving Kristol, *The Public Interest*, "On Corporate Capitalism in America," number 41, Fall 1975, p. 124.

[16]Quoted on the editorial page of the *Wall Street Journal*, 6 January 1976.

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Gary North

THE HIDDEN COSTS OF FREE LUNCHES

"A distinguished economist . . . offers us the verity that there is no free lunch—to which I, a non-economist, reply: But of course there is! If you have too much provision and I not enough, then when you yield a little, I may indeed have a free lunch."

—Irving Howe, *New York Times*, Nov. 27, 1976, p. 23.

* * *

This seems like such a clever response to the most universally agreed-upon principle of economics, namely, the doctrine of scarce resources. After all, if the person with "too much provision" does yield some or all of his lunch to the other individual, the lunch is free of charge to the recipient, isn't it? He has had to give up nothing in return, right?

Wrong.

Let us consider the case of a charitable donation. The person who has had access to a lunch earned by his own labors or capital may be willing to share part of it with someone else. The recipient may prefer to think of his share of the lunch as something that was worthless to the sharing benefactor. In short, that he really had "too much provision," so the extra portion was really free.

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But the decision concerning whether or not the donor had too much food had to be made by the donor. He alone could determine his appetite, not the recipient. It is possible that the donor would have thrown the food away anyway. Instead, he gave it to someone in need. At the time of the gift, the donor may have regarded the extra portion as a free good—something of no earthly benefit to him, the donor.

The donor paid for the lunch. It was not free of charge to him. Next time he may decide to order a smaller portion and pay less for his lunch. He may decide even to skip a meal, if the first one has drained his resources. As the economic actor, he may have regarded the extra food as a free good in his value scale, so he was willing to give it away. But men have an incentive to reduce their purchases of goods and services that they think will prove excess to their needs. To avoid waste, they conserve resources. This means that the supply of free lunches will always be limited. Rare is the case of a truly free lunch, meaning a lunch that has zero value to the owner. Such lunches involve prior waste, and the market pressures all participants to reduce waste by making better predictions about their need for a particular resource in the future, including the immediate future. We tell children not to take more food than they can eat. "Your eyes are bigger than your stomach," we say. When children start paying for their own meals, their eyes get smaller.

Even a zero-value (to the owner) lunch involves cost. Ownership always involves responsibility for the use of any resource. If a man has an extra lunch in front of him, he has to make a decision. Should he throw it away? Should he offer it to the highest bidder? Only if there are no bidders at any price, is the lunch truly of no value to the owner. Should he give it away? To whom should he give it away? Who is most deserving? *There is no such thing as zero-responsibility ownership,* whatever the costs of lunches may be.

The recipient of charity then faces a choice. Should he say thank you to the donor? Should he thereby acknowledge his status as a beneficiary of another man's wealth, even if the form of that wealth was useless to the donor? Should the recipient be grateful? Should he be resentful at the other man's wealth? He has placed himself in a position of subordination. There are many people who resent their position as beneficiaries. Jealousy (wanting another man's goods) and envy (wanting no one to have such goods) spring up in the hearts of recipients. They find themselves eaten up spiritually by either or both of these two forms of resentment. They find, in short, that the lunch was not free. They had to give up something in

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order to get it: pride, self-confidence, a feeling of independence, or peace of mind (in the case of the resentful).

Coercive Redistribution

The idea that the person who has "too much provision" ought to be forced to "yield" the excess portion transforms the whole idea of the hypothetical free lunch. A legal obligation, like the signs that say "yield to pedestrians," has been created. But we are all pedestrians from time to time, and we all pay the taxes to operate the streets, so we do not pass class-conflict legislation when we propose street safety signs. In the case of free lunches, we act in terms of a philosophy of economic class and class antagonism.

The person who wants the free lunch arbitrarily asserts that the lunch is unnecessary to the owner. He then uses political force to confiscate the lunch, either for himself, or for those who can benefit him (*e.g., voters*), or for those who will esteem him highly for being so generous with somebody else's resources. He receives some sort of benefit from the act of confiscation.

Was the lunch really free? Certainly, it was not free for the original owner. Even if he really regarded it as a zero-value resource, he probably does not regard his *right* to do what he wants to with his resource as something of zero value. The act of confiscation infringes on the right of ownership—if nothing else, with his right to give away the lunch to that person whom he regards as most deserving. But the argument does not concern itself with the costs borne by the original owner. It is aimed at the hypothetical zero-cost lunch in the life of the recipient.

What has he really given up? First, and most important, he has given up his personal commitment to an ideal, namely, the right of each person to the fruits of his labor. Second, he has given up a portion of his own future. If he should somehow become a person with an earned lunch of his own, he will not be so certain of the protection which the law will provide him when he wants to make decisions concerning the use of his lunch. He has compromised his own confidence in the law of property protection. Third, he has guaranteed the reduction of supply in the lunch market of the future.

Those who have earned lunches for themselves will not be equally happy to continue to produce the resources necessary to buy lunches and then see them confiscated. The modern interventionist may have faith that the lunch producers and lunch buyers of the world will go on forever, like the goose that laid the famous golden eggs. "If we just refrain from cutting the goose's neck, we can get free golden eggs forever," they argue. The trouble with such

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logic is that other, less rational, more greedy people will not listen to words of restraint once the egg confiscation philosophy has taken hold of a voting population, and even if everyone were to show restraint, golden egg-laying geese are not immortal. Those who rely on the confiscated productivity of others make themselves dependent on the future supply of free lunches. They have gained free lunches at the cost of self-reliance.

Self-esteem is not a zero-value resource. It is not talked about in the textbooks advocating free lunches, or partially subsidized lunches, or attacking class-exploiting lunch production methods. Nevertheless, the talk of "welfare rights," and the shouts of "legal obligation," and the sophisticated speculations concerning "entitlement" cannot successfully evade the effects of the loss of self-esteem inherent in any system of free-lunch politics. The recipients are like those little boys who have their big brothers beat up other little boys to take away their snack money. The older brother always wants payment in one way or the other, and the little brother has difficulty in working up a sense of pride in what he has accomplished. Then, too, the other little boys may have big brothers—*much* bigger brothers. Self-esteem is exchanged for a free lunch and a lot of fear concerning the future.

The Bottom Line

What has happened to our hypothetical free lunch? It has cost the recipient self-confidence, as well as his confidence in legal institutions. It has cost him his self-esteem. It has made him partially dependent on those who produce lunches, for they have less incentive to produce lunches in quantities sufficient for all those who want to be recipients of free lunches. The politics of free lunches unleashes the forces of jealousy and envy, showing people that both evils can be put into law with impunity.

Free lunches, if legislated, are devastatingly expensive to the recipients. If you think otherwise, try to find thankful beneficiaries of the United States' foreign aid programs. The lack of gratitude should be expected; we have promised men free lunches, and we have extracted a terrible price. Why should we expect applause from those who have become dependent on us as never before? The price of self-esteem has been discounted far too much by the advocates and administrators of the politics of free lunches. The recipients have made more accurate estimates of the costs of legislated free lunches.

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Roger Donway

LIVING TOGETHER

Is laissez-faire an unsociable system? Indifferent to cooperation? Hostile to fellow-feeling? From the abuse laissez-faire receives, one would certainly suppose it was all these things.

Indeed, one might suppose laissez-faire to be something of an ultimate in unsociability. I have seen it asserted, as an obvious truth, that under laissez-faire the majority of people would be reduced to a sub-human level—as though freedom were a type of anti-personnel weapon.

And that was from a Centrist's point of view. Further Left, they take off the gloves. One popular radical economist speaks unhesitatingly of the "ruthless amorality of laissez-faire," and insinuates that even a moderate capitalist must number Al Capone among his heroes.

Really, it is an extraordinary state of affairs. The system whose very name proclaims a policy of "hands off" is attacked as a system whose hand is against every man.

Yet the idea of laissez-faire seems simple enough to be understood even by those who disagree with it. Essentially, there is only one operative principle to be grasped: laissez-faire forbids aggressive coercion between people. That is almost all there is to it.

It is just the consistency with which laissez-faire applies this prohibition that distinguishes it from other systems of civil order. The use of force, other than defensively, is forbidden under laissez-faire to *all* citizens, including public servants.

The result of practicing such con-

Mr. Donway deals as a free-lance student and writer with the social implications of certain philosophical issues.

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sistency some call "liberty," and some call "freedom." Kenneth Boulding has suggested we should call it "peace," because the ban on coercion is similar to international nonaggression.

Liberty Is Peaceful

That may be a bad idea, because of the differences between liberty and international nonaggression. But the suggestion does express this one root truth: that liberty is peaceful. It functions by guaranteeing safety from constraint.

Now why would anyone consider that unsociable? What connection is there between forswearing harm and forswearing humanity? Not to shanghai one's neighbor, not to ravage his land, not to expropriate his property may be less than the last word in fraternity, but it is a start. And in motive, it is more than a start.

If there is any hostility to community, surely, it lies with those who reject the principle of laissez-faire. Their refusal to accept an armistice is somehow unsettling.

When a moderate speaks in favor of this freedom or that, he is certain to say, "Of course, I'm not advocating laissez-faire," and he means to be reassuring. But where is the reassurance? If his auditors took him seriously, I should think, they would leap from their seats and rush the exits. For he has said, in effect, that he accepts no standing rule about dealing peaceably with peaceable citizens. Not knowing his rules for dealing violently with peaceable citizens, his listeners should hardly feel safe in his presence. Perhaps he is inclined to reject laissez-faire when he spots a pocket of poverty in his trousers.

Obviously, things do not work like that. Yet they do almost work in reverse. People really do shrink from an advocacy of laissez-faire as though it were an advocacy of barbarism. They actually hear, in a call for freedom, a cry for havoc. How has so mad a reversal been accepted?

The charge against liberty cannot be like the straightforward charge against a coercive state—that it pushes people around. That much, at least, the explicit ban on coercion spares us. Yet somehow the impression is being given that liberty *does,* virtually, mean being pushed around, and much worse besides.

Garry Wills, for instance, calls laissez-faire "the law of the jungle," and it is a common enough description. But it is also a curious description—of laissez-faire, to say nothing of jungles. For if laissez-faire is the jungle's law, it is a jungle where the overriding rule is "Thou shalt not use force," and where violence is the forbidden means of survival. It is a jungle where the lamb can lie down with the lion.

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Surely, that is unpromising ground for the enemies of freedom. From such politics, not even the most resourceful could construct a feral image for liberty.

How Will Free People Behave?

In consequence, the attack on "antisocial" freedom generally begins with the nonpolitical side of a free society. It starts with a hypothesis about how free people will use their freedom in their everyday lives.

The hypothesis is usually a wild one, as it happens, made without reference to the historical behavior or actual attitudes of free people. But nevertheless, the hypothesis, or guess, is made.

And how will free people behave? The guess is: Not well. The accusation of "jungle law" implies that free people will deal with one another as warily and as meanly and as uncooperatively as they can. It suggests they will be as vicious as the law allows, and perhaps a little more.

A citizen living under freedom is expected to suffer all the noncoercive evil his fellow citizens can inflict on him, and to enjoy as few of the benefits of cooperation as they can arrange. The majority of people will be reduced to a subhuman level, and so forth, and so on.

The obvious question is: Why should free people behave like this? And the typical answer is clear. According to those who make the charge, there is an attitude that gives rise to freedom, and this attitude is at bottom antisocial.

More specifically, the ethos behind liberty is said to take life as a competition for survival, and winning that competition as the highest value. From this, the internecine fray is inferred.

That is the slander, and apparently it is effective. How it can be effective, though, is something of a mystery. The odds against the slander's even surviving, I should think, are overwhelming.

After all, the ethos of liberty that actually gave rise to liberty has not been lost in oblivion. The conception of a free community that actually gave us free communities can still be learned. One would imagine that documents recording these things might, on any day, give the lie to accusations about freedom's unsociability.

Shared Reason and Goodwill

To take a simple example: the Declaration of Independence does not begin with a premise of battle royal. It begins with a decent respect to the opinions of mankind as its self-proclaimed motive; which is to say, it begins with an assumption of shared reason and goodwill.

The writings of John Locke, too, are not antisocial. They do not assume that people will be at each

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other's throats. As a matter of fact, they assume that free people will generally associate in "Peace, Good Will, Mutual Assistance, and Preservation."

That the charge of unsociable liberty has survived in the face of this history is a wonder, but that it has survived the scrutiny of common sense is a marvel. For the allegation of "feral freedom" is unbelievable on its face.

The first part of the charge, remember, says that free men consider themselves to be engaged in a war of all against all. And the second part says that, consequently, they place a total ban on coercion. Why would people fighting a life-or-death struggle do that? Why would they enforce greater decorum than prevails at the average sporting event? Just psychologically, it is not a plausible sequence of action. Yet no one seems to notice.

I think we should ask why no one notices. The allegation is a smear, undoubtedly. But if it were a smear only, the smear would have been exposed long ago. The charge is so outlandish that it could not survive without help, and especially without inside help from its victims. Unfortunately, such help is easy to find.

To begin with, a notion of universal competition *was* once adduced in behalf of freedom, by the Social Darwinists of the late nineteenth century. It can be said that their idea of competition was very different from the savagery depicted by the enemies of freedom. It can be said that the Social Darwinists were not the true heirs, philosophically, of those who authored our freedom. Nevertheless, they did tie freedom to universal competition, even as charged.

And perhaps that tie is still made, here and there. A few apologists for sharp practice, I suppose, still use the phrase "competition for survival" as a dodge and an excuse.

But if these are things that cannot be changed, they are at worst minor difficulties. They are the kind of aid that can be dragged up in support of any straw man.

A second type of aid is much more dangerous, and it is also given to the enemies of freedom. Probably, it is the most dangerous sort of aid that can be given to one's detractors, for according to an old rubric it actually implies consent. This aid, of course, is silence.

A Weak Defense

Defenders of liberty have simply not avowed some of the things that go with freedom, like sociability, cooperation, and goodwill. It is a common habit among defenders of freedom merely to recommend the prohibitions against coercion without mentioning what sort of society those prohibitions govern.

By way of example, that was

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exactly the approach used above here to recommend laissez-faire.

What can a listener make of such a presentation? How can he weigh a political ethic that says nothing about the tenor of its proposed society? Will his fellow citizens, in this proposed society, treat him as an ally, or as an enemy, or will they treat him with total indifference? It is a matter of legitimate curiosity.

But commonly, a person who is asked to accept freedom cannot tell in the least what sort of existence he is being asked to accept. Is he being asked to join with peaceful producers, or harmless nomads, or pacified flower children? If you are going to live with people, the differences are important. The "look" of a free society, surely, must be part of the argument for a free society.

If it is not, if such details are not filled in, the enemies of freedom will fill them in for us. In what manner, we have seen.

Before discussing the free society's "look," however, an objection to any such discussion must be noted. It is a simple and worthy objection. A free society, after all, is a tolerant society. It does not prescribe its citizens' peaceful behavior. How then can we depict any general patterns of such behavior?

Evidently, the answer must lie in the context of freedom. We should know, for we have only too much occasion to see, that liberty does not grow anywhere, anyhow, under any conditions. It has emerged, when it has emerged, from a fairly definite attitude toward man and society. It has been rooted in an outlook, and it has waned with the waning of that outlook.

Attitudes and Beliefs

The enemies of freedom are right in this regard, and they have grasped what few defenders of laissez-faire have grasped. There *is* an ethos that gives rise to liberty, and it *does* tell us something about free people. By noting the attitudes and beliefs that generate freedom, we can know something about the attitudes and actions of free people in their everyday lives.

The question is, therefore: what outlook gives rise to liberty, and what does it tell us? How does it suggest free people will behave? Specifically, can we say with any confidence how free people will view one another, and what use they will make of their fellows?

Obviously, I think we can.

A few general facts about man and society, variously expressed at various times, have been the groundwork of freedom. To put it simply, we might say that freedom is based on three commonplace beliefs.

The first of these holds that human life is at bottom individual. To live—to discover what man needs

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and produce it—is something done by a person. It is a problem for the mind, and the mind is individual.

The point must be stated carefully, for it is easily misrepresented. Few of us could live outside society, and fewer of us would want to try. But the reason why is important. It is not, as some collectivists think, that man exists like an ant, only as a member of his group. In fact, it is not a problem of what we are at all. It is only a problem of what the task is, namely, Herculean. Strip away the aid, the arts, and the artifacts of civilization, and what remains is a brutal struggle, if indeed anything remains.

The second belief, then, is equally commonplace: human association is the greatest of all the tools that can be used to make living easier. Through the division of labor, through the accumulation of knowledge, and through the accumulation of capital, human association can act as an enormous lever on the energies a man devotes to his attempt to live. And the results are obvious, attested by the presence of some four billion people. In society, survival is merely a man-sized task.

Friendship and Love

Nor is productive cooperation the only benefit of society. To the material aid that arises from association, we may add all that can be said about friendship, camaraderie, loyalty, and love. These, too, make living easier and are part of society's promise.

In short, if we want to live, with each other is the way to do it. Living is the task, "with each other" is the tool. And the tool is practically indispensable.

The third belief of liberty builds on this. It is: that association must not be turned against an individual's attempt to live. The tool must not be turned against its purpose. To observe this is not to disparage association, but to care for it. It is to insist that association not be perverted from its ends.

Admittedly, the task of ensuring that association does not turn against life can be a difficult job, and it becomes more difficult as society becomes more complex. Yet one principle remains perspicuous throughout the complications. We cannot allow anyone to constrain another from acting on his own judgment. That, we can say, undercuts the attempt to live at its source; and above all, it undercuts the attempt to live together. If we are going to live together, in the full sense of both terms, we must insist on living peaceably.

The consistent application of this principle is laissez-faire.

When one understands freedom as emerging from such beliefs, one understands in addition how much can be fairly said about the look of a free

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society. It is by no means the closed book it is sometimes considered.

We can see, for example, what sort of mutual admiration is likely to bind people in a free society. As liberty is rooted in the problem of living, esteem is likely to follow productiveness, and the great producers, who make our lives qualitatively easier, will obviously tend to be major figures. The Jeffersonians, we know, gave great honor to those who discovered practical knowledge, and that estimate will probably be part of the Jeffersonian outlook whenever it reappears.

Again, by understanding the roots of liberty, we can see why a free society is a generous society. Alexis de Tocqueville remarked on this aspect of liberty. He said of the free citizen, vis-a-vis his fellows: "As he sees no particular ground of animosity to them, since he is never either their master or their slave, his heart readily leans to the side of kindness."

And at that, Tocqueville was thinking of freedom only as "live and let live," as being neither slave nor master. When we think of freedom as "living together," with each of our fellow citizens an actual or potential ally, how much more our hearts must lean toward kindness.

But most of all, by seeing the ground of freedom, we can see how intensely sociable it is. The idea that liberty is based on a competition for survival becomes ludicrous. Liberty is based on a cooperation for survival.

Even the specific economic phenomenon of competition exhibits this cooperativeness. For economic competition is essentially the struggle to be chosen as a trading partner. And, as trade is mutually beneficial, economic competition is thus essentially a competition to cooperate. It is a struggle to reach what is mutually beneficial.

So finally we see, by looking at the roots of liberty, what a shame it is that defenders of freedom are silent about this sociability. Proponents of a system that is based on cooperation ought not wince at the word "society," whose origins are in the notion of an alliance. People who understand how humans can truly live together should not be shy of conviviality.

Great evils, undoubtedly, have been committed in the name of community and fraternity. The words have been used to damn the individual's attempt to live, and they have been used to cover all manner of coercion. But it is terms of association that have been used precisely because, in proper context, those terms stand for great values. These values of community should be reclaimed for liberty, not only because the coercive state perverts them, but because the free state does not.

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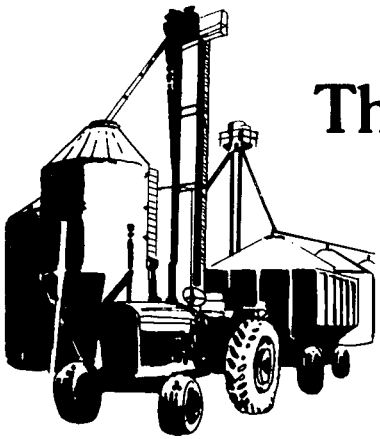
Leland P. Cade



The Farm Strike– *Will It Do More Harm Than Good?*

THE current farm "strike" is an expression of frustration over low farm prices. No doubt about it, farm prices are low, farm expenses are high and the result is desperation. Economic security is flimsy, unpredictable, as changeable as the weather.

All of agriculture is now on front and center stage as the strike makes headlines in magazines and newspapers and on TV and radio. The 200 million plus audience wonders what is going on, what is causing all the concern. If viewers are impressed, the strike could turn out to be a plus; if viewers get disgusted, the strike could turn out to be a liability for all of agriculture.

This article is reprinted by permission from the January 5, 1978 issue of the *Montana Farmer-Stockman*, of which Mr. Cade is Montana Editor.

Participants hope for results in the form of better prices. But is there a chance of this happening? And if the whole incident turns out to be a badly engineered dream, to where does the credibility of the American farmer go?

Meetings around Montana have been emotional. Very little has been presented in the form of basic questions or of basic answers. Since the strike strategy is so new for agriculture, there are many questions that should be faced squarely.

Strike leaders want 100 per cent of parity and their focal point is President Carter and Secretary Bergland. And the questions start coming. Since when is Uncle Sam in a position to determine the full price of a commodity—and pay it too? Since when is Uncle Sam to serve as

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a substitute for the market place? How does the message from the strikers to Congress and the President compare to the message of the farm organizations which have been concerned for years and years about farm prices?

One leader in Montana agriculture asked the writer recently, "Where were these people when we needed them?"

Presumably everyone involved in agriculture believes in private enterprise, which exists on the assumption that opportunity and risk go together. Are strikers asking for government to take the risk, but leave the opportunity to individual hands? Will the result be one step closer to government taking over all of agriculture?

Another agricultural leader commented to the writer, "What ever happened to the right to go broke?"

Is there a possibility that the focus of the strike is on the wrong topic at the wrong time? Could it be that excesses of the federal government are the real culprit, and just now we are forcing a late payment out of the farm sector?

Excesses of the federal government have been enormous and continuing right up to the farmstead office where the books are maintained. The list of excesses is long and frightening. We are now a half-trillion dollars in debt—$60 billion more this year alone. Before election, candidates talk about balancing the budget—but they never get serious after election. The Social Security system is a rip-off of the first magnitude because it is basically a welfare program. There is absolutely no proof that the past government farm program, or the present farm program, will help agriculture one tiny bit, yet government continues to give this impression.

Government is out of control with all of its controls—the new federal estate tax law is considered by many an outright fraud—it is far worse than the old law, yet was enacted as "reform."

Could it be that the problem is really the federal government with all its excesses, and that the real problem is being bypassed, ignored, not recognized?

More questions. If the strike movement is successful in getting $5 wheat, then who gets to sell? And who doesn't? And what then will be the price for the individual who doesn't get to sell?

If $5 wheat reduces consumption—and a higher price always does—then what price for additional bushels that might be produced? American agriculture has an enormous capacity to respond to higher prices. The price of grain right now is without a doubt a direct result of

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the last time wheat went to $5. Even at the present $3, the market doesn't want all that grain. How much less will the market want at $5? And then what is the price of grain when some is sold at $5 and some not at all?

If picketing actually stops the flow of agricultural commodities, could the situation be made worse instead of better? For example, assume that picketing stops the flow of beef, a very perishable product. Producers will keep the beef off the market at an increased cost. Sooner or later the beef will have to enter the market with a rush. Every farmer knows that a rush on the market means lower prices.

Or take grain. Suppose the strike prevents wheat from getting into export channels. Buyers don't have to buy their grain from us; there are other sources. So they go elsewhere. Which leaves more, not less, grain in the U.S. without a market. Could the strike, if effective, make matters worse instead of better?

Has the law of supply and demand been repealed? Some strike leaders say the law isn't working now. If it isn't working, then how can it be that as more bushels of grain are produced the price goes down? Or, as demand increases, as it did when the price went to $5, the price went up? Or as the beef supply increased, the price went down? Or as there was a demand for animals a few years ago, that the price of beef went way up?

Some get the idea that the law of supply and demand is working as it should for agriculture, but that it isn't working in other segments of the economy. Not so.

Headline—"25,000 steel workers out of work because foreigners will produce it for less."

Headline—"Foreign cars take a greater share of the market."

Headline—"Fewer Americans now belong to unions."

In some situations, the law works slowly, in some more rapidly. But as far as anyone knows, the law has not been repealed, and is still working.

More questions: Is it to be assumed that the market must take all of the production of an industry at a stated price whether it wants it or not? If striking farmers can somehow cause the market place to take their products at 100 per cent of parity, then do the same rules apply to producers of toothpicks and fencing pliers? If Rule A states that in private enterprise the market has to take all of a commodity at 100 per cent of parity, then presumably, it would apply to both farmers and producers of toothpicks and fencing pliers.

Or is the market place the best place to determine how much of a commodity should be produced?

The farm strike has all the earmarks of (1) assuming that the law

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of supply and demand has been repealed, (2) asking government to take over agriculture even though this is not the view of many producers, (3) ignoring the basic purpose of the market place which determines, through price, how much of a commodity will be produced, (4) making the situation worse instead of better by ignoring so many of the basic forces at work.

The selling price of farm commodities is the problem that stares the farm bookkeeper in the face. But it isn't the basic problem. The basic problem is the excesses of the federal government that has over-spent and promoted rapid inflation; deceived the farm population into thinking that government can do things it can't do; legislated an economy with unfair advantages and disadvantages. Legislators in Washington should be hearing the *reason* for low farm prices, not just the story that prices are low. Sooner or later the bills have to be paid, and American agriculture is now paying the bills for the past excesses of the government. ⊕

IDEAS ON LIBERTY

No Special Privileges

In the limited government society, where government gives no special privileges or subsidies, but confines itself to defending personal freedom and the right of private property, men will naturally form voluntary associations where group effort is more efficacious than solitary action. Voluntary associations do, then, indeed make prodigious contributions to the progress of mankind. They diversify, enrich, harmonize, and stabilize society. *In a regime of unlimited government, however, strong private associations expend their effort in a quest for special privilege and advantage.* Disguised anarchy, large-scale power structures, and chaos are the necessary long-run consequences.

The fundamental duty of the state in a free society is to prevent any person or group from infringing on the rights of others. Failing to perform this task—and our government is today failing to perform it—the modern state is guilty of the most profoundly damaging dereliction of duty. Instead of being the servant of the community, it becomes a co-conspirator against the community. Instead of waging unceasing war against the enemies of society, it joins with them in a league of mutual assistance against society.

SYLVESTER PETRO, "The Perversion of Pluralism"

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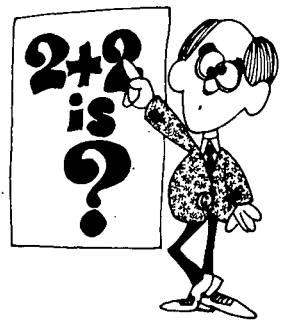
Hans F. Sennholz

LEVELS OF DISCUSSION



THE NOVICE in economic and social thought is bewildered by the great variety of competing philosophies, ideologies and doctrines that vie for his support. In desperation about the apparent confusion, he may shun the social sciences altogether and seek other knowledge. As a young student, Albert Einstein despaired about economics and turned his great intellectual powers toward physics. Many others of lesser talent may just imbibe the brand of thought that is fashionable at the moment. Or they may readily accept that which is available at their particular institution of learning. Others may temporarily suspend their judgment until they have thoroughly analyzed the various schools of thought. As students, they may be sitting at the feet of the great scholars anywhere in the world until, after much deliberation and research, they are prepared to take a position of their own.

For the scholar who soberly and deliberately pursues knowledge, there is a short-cut to the issue. He may simply judge the level of scientific discussion in which each of the contending schools is engaged. The level may range from the most exacting dispassionate analysis of a subject matter to the most primitive emotional exchange of debate tricks that negate any pretense of scholarship. The latter may be very popular with the masses of people who prefer entertainment over enlightenment. The seeker of truth

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has no choice but to listen to serious scientific discussion.

Many years ago Eugen von Böhm-Bawerk, Austria's foremost economist and statesman at the turn of the century, described his search for knowledge. In his critique of the writings of Marx and Rodbertus he was looking at the exploitation theory "with its best foot forward." He tried to adhere to what we today would call "a policy of equal opportunity for all contending doctrines." In the language of the Continental aristocrat: "He who would be victorious on the field of scientific research, must allow his adversary to advance in all the panoply of his armor and in the fullness of his strength."[1]

The great writings that have passed the test of time reflect this calm confidence in the ultimate victory of truth over error. Surely they recognize that man is a creature of impulse and emotion and that he is perpetually swayed by his interests, passions and vices. But man was also given his power of reasoning which makes way for revelation and knowledge. Reason is the candle in man's hand which enables him to explore and discover.

Popular writings may appeal to passions and emotions. But the taste for emotion is a very fickle taste that changes continually and fatuously. The writers who, for the applause or gratuity of the moment, appeal to such tastes are riding the waves of human folly that will swallow them in the end.

[1] *Capital and Interest* (South Holland, Illinois: Libertarian Press, 1959), Vol. I, p. 250.

Jokes and Insinuations

Most contemporary writers on social matters, even the most illustrious among them, are merely skillful surfboard riders whom the next wave may engulf. They entertain their readers with wit, jest and jocularity, carefully avoiding any serious discussion with knowledgeable opponents. They may ignore their critics entirely or, if this can no longer be done, shoot at them with malice and hatred. A poor joke may take the place of a rational reply.

Paul A. Samuelson, the vocal spokesman for post-Keynesian political economy and Nobel laureate in economics, mostly ignores the writings in defense of individual freedom and the private property order. In his *Economics,* the textbook for millions of American students, he brushes them aside "as conservative counterattacks against mainstream economics." He neither defines nor describes these counterattacks, but having announced them in a boldface title he demolishes them with a four-line gesture of disgust. With selfishness, ignorance, and malice "there is not much intellectual arguing that can be done." (10th ed., p. 847)

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He devotes half a page to "Chicago School Libertarianism" of men like Frank Knight, Henry C. Simons, Friedrich Hayek, and Milton Friedman. He lumps them together under a cryptic label and rejects them as "provocative negations." His favorite target, Milton Friedman, is dispatched with an ugly joke. "If Milton Friedman had never existed, it would have been necessary to invent him." (p. 848)

But the champions of all-round government ownership or control in the means of production are treated with utmost courtesy and respect. He devotes eight pages of text supplemented by eight pages of appendix to "eminent," "competent," and "eloquent" advocates of radical economics from Karl Marx to John G. Gurley. He quotes extensively from their writings without refuting any of their arguments. To Samuelson, Karl Marx "was as much a philosopher, historian, sociologist, as a revolutionist. And make no mistake. He was a learned man." (p. 855) In fact, Samuelson echoes Engels: "Marx was a genius . . . the rest of us were talented at best." (p. 853)

Samuelson is riding the high waves of fashionable folly. It does not speak well for the American Academe to have made his writings the best sellers of our time. And depend on it, a society that builds its policies on such thought faces misfortune and calamity.

The writings of J. K. Galbraith are as popular with bureaucrats and politicians as Samuelson's work with academicians. It is true, Galbraith abstains from crude personal attacks on authors who disagree with him. He merely ignores them. He is utterly unaware of the subjective-value theory and its important ramifications. In his own book on *Money* (Houghton Mifflin Co., 1975) he does not deal with a single monetary thought of the Austrian writers. But he mentions Joseph A. Schumpeter, Friedrich von Hayek, Ludwig von Mises, Gottfried Haberler, Fritz Machlup and Oskar Morgenstern, composing "the world's most distinguished coterie of conservative economists." Having lived through Austrian inflation they all shared "a profound mistrust of any action that seemed to risk inflation along with an even greater distaste for anything that seemed to suggest socialism." (p. 186) This is Galbraith's only reference to a school of thought that for more than a century has spearheaded the scientific discussion of money and the systems of social organization.

Galbraith is a clever phrasemaker. Almost instinctively he uses figurative or metaphorical terms that are favorable to his contentions and unfavorable to those of his critics. Pre-Galbraith economic knowledge is "conventional wisdom" which is "obsolete" and "pessimis-

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tic." After that rhetoric so brilliantly flavored with the spices of intellectual omniscience, who would have the courage to identify with "conventional" and "obsolete" knowledge? Who would care to join "the coterie"? For Galbraith any further discussion is redundant.

Talking To The Audience

Most academic writers do not painstakingly analyze the theories and arguments with which they disagree. It takes great effort and labor to reach beyond a familiar body of thought and wade through the armory of a different school. Indeed, it is much easier to talk to one's own audience and seek its applause. The Keynesian writers are scribbling for their followers, the "radical economists" for theirs.

Where a particular assertion is in need of verification and support, they may appeal to authority rather than rely on their own reasoning. They may cite another writer of similar persuasion, a member of their own school of thought. Samuelson may quote Solow and Solow, Samuelson. Neither of them knows, or cares to know, what Mises and Hayek have written about the subject matter.

The great writers whose works survive the test of time reach beyond their particular audiences and seek truth regardless of its popularity. They analyze doctrines and theories; they do not psychoanalyze their opponents. They refute errors and fallacies, they do not malign the person who errs. They do not engage in propaganda, they search for truth no matter where it should be found. In the interests of science they pursue the truth even if society should dislike and reject it. They do not primarily teach that which they know, but endeavor to discover that which they do not yet understand. To seek for the truth, for the sake of knowing the truth, is their first objective.

Human understanding is always liable to error; infallibility is denied to man. Therefore, error needs to be exposed and corrected. This is the proper function of scientific critique. But it must not just destroy and pull down, it must direct attention to the excellent and positive.

Emphasize the Positive

Error must not be permitted to run its course and work its harm. It must be confronted and refuted in order to make way for truth. But it is difficult to decide which fallacy should command our attention and effort, and which one should be ignored. Ludwig von Mises considered it an important task for young scholars to confront and explode popular fallacies. To recognize error and refute it was a minimum requirement for doctoral candidates and prospective economists.

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Leonard Read built his creative efforts on the observation that "action that is wholly against must lead to inaction as soon as it is successful." In all his writings and the activities of his Foundation, he and his associates are emphasizing the positive, bringing to light that which is right. They are convinced that only positive views of truth show the way and can lead to action. For this reason they try to avoid the arena of heated debate and criticism, and instead, proceed on the steady course of learning and explaining the freedom philosophy and its miraculous results.

And yet, all findings must be submitted to the test of free discussion which is a reliable friend of truth. Trickery and emotion in argument betray a conscious weakness of the cause and often signal despair. Indeed, we may be able to judge our adversaries, as they may judge us, by the levels of discussion.

IDEAS ON LIBERTY

A Cage of Apes

BLIND conformity, regimentation, and loss of the individual in the mass are both national and individual suicide. When we have reduced the world to a cage of apes, each imitating the other, we may be perfectly sure that we will be apes and nothing more. For leadership does not develop in an atmosphere that provides no opportunity for change, growth, and self-determination.

God gave you legs on which to stand, and may He forgive you if you use them only as something with which to run away from reality. Yet he who takes a stand on anything today is in danger of being torn to pieces by those who run with the pack. *Do you dare to be different?*

Despite all interpretations of the Constitution to the contrary, man still has innate and inalienable rights. One of these is the right to be an individual. But this right is also a responsibility. If you refuse the responsibility, as so many people today are doing, you will be deprived of the right—as has happened in almost every other country in the world. The hour calls for people who dare to be individuals in a world where it is fast becoming improper to be anything but apes.

KENNETH W. SOLLITT, "Do You Dare to Be Different?"

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Fred E. Foldvary

Is the Free Market Ethical?

FREE-MARKET economists have amply demonstrated and documented the fact that free enterprise is the most efficient and productive way to provide for people's economic needs and desires. The simple but powerful logic of supply and demand is irrefutable, and even the critics of the free market acknowledge that the "invisible hand" of self-interest can produce and distribute goods and services without any need for central planning and control.

Yet, the pervasive critics and opponents have succeeded in convincing much of the world that there is something sinister or immoral about the free market and private enterprise. Even when they acknowledge its efficiency, they claim that free enterprise is somehow unfair or inherently exploitive. Even when they agree that the free market is productive, they argue that it produces the "wrong" goods, too much advertising, for instance, or too many luxury goods, and not enough "public goods" such as education.

The opposition to free markets, then, is often not so much an economic claim as a moral one. Marxists, for example, claim that profit is the taking away from the workers part of the value which they put into their products, a value that, in their view, rightfully belongs to the workers. Less radical advocates of government planning claim that though the free market may be efficient, it does not produce the goods that people "really need," such as health care, or that the inequalities of wealth resulting from free market forces are for some reason wrong.

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When one speaks of what people *should* consume, or what a worker *should* earn, these "shoulds" are moral considerations. These are moral attacks on the free market, which must be answered by moral arguments, since they are based on goals and values rather than facts about how an economy works. So let us examine the question, is the free market ethical? In order to answer that question, we must first ask, what exactly is a free market?

Assuming we know what a "market" is, the question hinges on the word "free." In the context of society, "free" means free from the coercion of others. More specifically, it means an absence of coercive harm, which includes coercive restrictions. A person is free when he can buy, produce, and sell whatever commodity or service he desires, with no arbitrary interference from others. Thus, the market is free when all the individuals in it have this freedom.

In a free market the transactions are voluntary. A market is unfree to the degree that people are forced to produce according to some decreed method, or trade at a dictated price or quantity, or give up their earnings and profits to finance some politically chosen "good works."

Opponents of free markets often criticize the inequalities of wealth that may result from it. One premise which they will generally agree with is the moral equality of man, that all human beings are equal in human rights. Moral equality implies that no one may claim to be morally superior to others, and that no one may impose his beliefs, values, and desires on another, for those of one person have equal standing with those of anyone else.

This means that if one person believes that certain goods "should" be produced, he has no moral right to force another to comply with this personal belief. Each person has his own unique personality and his own needs and desires, and moral equality implies that each person has the equal right to decide how he should live, including how he will work and what he shall buy and sell.

Thus, the basic moral principle compatible with moral equality is that no one may impose his personal will on another. One may use force only in self-defense. Otherwise, coercion is morally wrong, and that implies that people have the right to do whatever does not coercively harm others. Actions which do not coerce others are morally right, or at least not wrong, from society's point of view. For example, if someone sells cigarettes, he could be accused of selling something harmful to health, but since their purchase is voluntary, it is not coercive, and thus not wrong.

Since a free market is, by definition, one that is free from coercion, it

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follows that the free market is ethical; without coercion there is no moral wrong, from society's viewpoint. If some people do not like the allocation of goods in a particular free market, they are entitled to their opinion and personal ethical beliefs, but not entitled to impose their values on others by force. Even if they are in the majority, opponents of the free market who feel that profits are nasty or that inequalities of wealth are wrong have no right to inflict these personal opinions on others, just as they have no right to force others to adhere to their religious beliefs. So, not only is a free market ethical, but any other economic arrangement is inherently unethical, since it must involve coercion!

In a free market, goods and services are worth what people believe they are worth and are willing to pay for. The free market, and only the free market, allows people to act on their individual desires. Moral equality is not the equal right to the good produced by the economy, but rather the equal right to be free from the coercion of others.

Government interference in the free economy is not only wasteful and unnecessary; it is also wrong ethically, just as wrong as theft, kidnaping, and trespassing are when committed by private individuals. Of course, markets can also be coercive without government involvement. Slavery, for example, is not a free-market institution, since the slaves are not voluntary workers. But slavery and other coercive practices have generally been committed with government sanction. State monopolies, such as the post office, and industries "protected" from free competition, such as transportation, are coercive not only in taxing us to support the inefficient and superfluous bureaucracies and pay higher prices, but in violating our rights to peacefully pursue our own business.

Those who oppose free markets and use the power of government to enforce their personal doctrines are imposing their views on everyone else as though they were somehow morally superior to the rest of us.

A free economy is part of a free society, one in which each person may live by his own values. A free society has a free market for the same reason it has free expression and the freedom to choose one's lifestyle: because people have the right to be free from coercion in any area of life. Not only are the opponents of free markets wrong, in their moral arguments; their proposed alternatives are inherently immoral since they are coercive.

The case for the free market exists on firm moral ground: the free market, free from coercion, is the *only* ethical market.

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World in the Grip of an Idea

Clarence B. Carson

16. Sweden: The Paternal State

ONE of the most curious notions of our era is that of the paternal state. Not that it lacks antecedents; it even has a history, of sorts, going back into the dim past of which there is little record. Nor is it curious because we ordinarily refer to it as the paternal state, for we do not. Ordinarily, it is called the welfare state, or, by some of its proponents, the social service state. It is a notion only in the sense, then, that it is the idea which underlies the practices we have come to associate with something that is called the welfare state.

The welfare state notion does not strike most people as odd or curious, so far as we can tell. Clearly, if politicians can run for office and get elected on the basis that they will provide a great variety of goodies, the idea is widely accepted. That it should be so accepted, however, does not mean that it lacks curiosity; it is rather testimony to the fact that when an idea becomes sufficiently familiar, no matter how peculiar it is, it can become a part of the perspective from which we see things. Then it will seem strange

In this series, Dr. Carson examines the connection between ideology and the revolutions of our time *and traces the impact on several major countries* and the spread of the ideas and practices around the world.

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that at other times and places people did not see or do it that way.

The paternal state notion is curious, in the first place, because it misconstrues the character of the state. The state is not something that can be likened to a father. It does not beget, as a father has done. Nor is it a provider, as the father is supposed to be. The state, or government, is begat, but is itself sterile, sexless, and forever barren. It has no means of its own and is incapable of producing any. It is, so to speak, an abstraction. Whatever the state bestows, it must first take from those who have produced it. Unlike a real life father, it cannot look after us; we must first look after it.

In the second place, the paternal state is a curious notion when viewed in the light of most of history. Those who have governed have usually been the possessors of such ostentatious wealth as was abroad in the land. They have usually been in possession of the finest residences, the best clothes, the most servants, the finest conveyances, and whatever happen to be the going trappings of office. Far from being material benefactors of the people, they have usually been beneficiaries of an unwilling largess from the people. They have entangled their peoples in dynastic wars, taken their substance in order to realize the personal ambitions of rulers, and all too often played havoc with the lives and goods of the people. Far from being father-like—seeking the good of their children—, they have all too often been robber-like and jailor-like. It is greatly to be doubted that the notion of the paternal state would ever have arisen from an empirical study of history.

Family Ties

Even so, government, or the state, may have arisen on analogy with paternity or as the paternal state. Historians have been generally of the view that government may have come into being as rule over the extended family. The organization is usually referred to as the clan. The clan was ruled over by the oldest male, or the male from whom all traced their lineage. If the orientation was maternal, or if allowance was made for maternal rule, the ruler might be the oldest female. The bounds of the state would be the lands claimed by the clan. Such an arrangement would, no doubt, be a paternal state. Nor would its character change greatly if it were enlarged to include several clans and these should be ruled by a council of elders. Family ties, at least within clans, would make it still fundamentally paternal. Undoubtedly, the task fell upon the elders of providing for and looking after those in their care.

The rudiments of this idea can be

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discerned in hereditary monarchy and similar arrangements. The king was not literally the father of his people, of course, but he could be thought of in that way. Some monarchs have been described as "father," or "little father." The council of elders might survive, too, under various names. (The Witan was some such council in England, for instance, as is the surviving House of Lords.) The Roman Catholic Church uses language drawn from paternity to describe many of its clergy. The hereditary feature of monarchy must derive from the paternal concept. While we may doubt that the paternal state could rightfully be applied to monarchies, it does trace its roots to the same idea.

Anathema to Socialists

What is curious here, however, is that socialists should produce and champion a paternal state. Virtually every idea in it has been anathema to socialists. They have ever been ideologically opposed to monarchy. They have been, in all instances, convinced and committed republicans. The paternal state is a conservative idea. Modern socialism stems from the time of the French Revolution, when the emphasis was upon individual rights, when family, tradition, and the whole paraphernalia from the past were in question. Custom and age were losing veneration. Mechanical concepts were replacing ancient ties of flesh and blood.

Moreover, conservatives have played a role in advancing the paternal or welfare state. Disraeli in England, a leading conservative of the latter part of the nineteenth century, took a hand in introducing welfare measures. Even more impressively, Otto von Bismarck, a reputed conservative and Germany's leading political figure of the latter part of the nineteenth century, brought welfarism to Germany. As one history says, "Between 1884 and 1889 gigantic welfare schemes, the first of their kind in the modern world, provided health, accident, and disability insurance, pensions for widows, orphans, and the aged, giving workers greater security and better living conditions."[1] It is not uncommon to read that conservatives enacted welfare measures in Sweden.

However, writers often ascribe this penchant for welfare legislation in conservatives to untoward motives. Bismarck, it is sometimes said, was end-playing the socialists. He may have been, of course, but we have no way of being certain of his motives. In any case, conservatives are as entitled to a presumption in favor of the purity of their motives as anyone else. And for politicians to seek advantage through their acts only appears strange to those who

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can imagine large numbers of selfless people, something that is possible in the imagination but unlikely in the real world. In short, if conservatives have, with some consistency, advanced welfarism the answer should be sought in conservatism, not in something they share with everyone else.

And there is an explanation within conservatism. One of the facets of conservatism is paternalism. The role of the father as head of the household is an ancient and venerated practice. In an extended fashion, the role of the elders within the community as providers and carers for those in need is of long establishment. That those-who-have ought to reach out toward and lend assistance to those-who-have-not is one of the deepest springs of conservatism. Thus are the bonds of community knit together and the common humanity of those within it confirmed. Conservatives in power in a state have a tendency to devise and support the paternal state.

The Conservative Element

This may be somewhat confusing to many of those who think of themselves as conservatives in the United States. Many thoughtful American conservatives are not in the least sympathetic with governmental paternalism (though there are those who are). Indeed, it can be argued that to be conservative in America is to be opposed to governmental paternalism. There is an historical explanation for this. A strenuous effort was made at the founding of the United States to delimit paternalism. The doctrine of limits pervades our constitutional arrangements. Whatever arrangements a father wished to make for his household was left to him. Associations of men were in like manner left to their devices to form communities and do within them what they would, so long as in so doing they avoided doing some civil or criminal injury. Such arrangements required, of course, that the force of government be denied to any and all in effecting their ends.

It is commonly said that there is a separation of church and state in the United States. The matter runs even deeper than this. Though it is nowhere formally stated, there is a separation of parenthood and the state. At the founding of the United States the individual was released from the tutelage of the state, so to speak. A profound distinction was made between what is the affair of individuals and what are affairs of state. That is the essence of constitutionalism in America. To defend those arrangements became political conservatism in America. Paternalism may have been augmented in America, but it was a paternalism divorced from politics.

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European conservatism has a different flavor to it. The separation between parentage and the state that occurred in America did not occur generally in Europe. An American and a European conservative may share similar values, but the import of these values is altered by differences of perspective. The dangers of the state were not so obvious to European conservatives as to Americans. Indeed, those who hold and wield power are unlikely to be impressed with the danger of it, for men do not ordinarily consider themselves dangerous. The paternal stance is, after all, ego flattering, and European conservatives kept it within the makeup of their perspective.

It is not my point, however, that the animus to the creation of the welfare state came from conservatives. That is about as likely as that sow's ears come from silk purses. Socialism provided the yeast for the welfare state; the people provided the dough; and conservatism provided its intricate patterns. To put it another way, the paternal or welfare state is the end product, thus far, of socialist equalitarian prescriptions when they have been winnowed through the overlay of conservatism in society. The distributive thrust is socialist; the shifting bubbles are populist; and the paternalism is conservative.

As if all this were not irony enough, this strange blend is often referred to as liberalism, not only by American writers but by those in other parts of the world as well. Historic liberalism was not in the least paternal. Its main thrust in the nineteenth century was to limit government, to free the individual, to permit trade without let or hindrance, to expand the suffrage and popular government. The equality that animated liberals was one that held that no man having reached seniority ought to be under the tutelage of another. In the quest for this condition, liberals relied rather heavily on extending the vote and establishing or maintaining popular government. Now, however, we have the paternal state which is widely proclaimed as liberal. Proponents of the welfare state have gone far toward co-opting the available intellectual positions.

The Paternal Role

The topic at hand, of course, is Sweden and the paternal state. Since Sweden does not proclaim itself to be a paternal state, and since the phrase is by no means generally employed, some proof of the proposition is in order.

What is a paternal state? It is, in brief, a state which takes over and performs the functions of a father, or those of the dominant parent. Since some may have forgotten the role of the father and the grounds for it, it

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may be helpful to recall it. It is on the father's physical initiative that the act is begun by which conception takes place. Since the male's physical condition is unaltered by the ensuing pregnancy and since, in any case, he is larger and stronger, it is his responsibility and function to provide for the female and the unborn infant during the period of pregnancy. It is his task, of course, to make provision for the delivery of the child.

A newborn infant is helpless, or very nearly so, having only the ability to breathe and the capacity to take nourishment. In this situation, the main task of the father is to protect infant and mother and provide food, clothing, and shelter. Since the human child does not become large or strong or sufficiently well developed to look after himself for several years after birth, both parents perform assorted functions for him. They not only provide for his basic material needs but also such medical care as he requires, for instruction (education) in their culture, for his moral indoctrination, and for such training as may fit him for becoming an adult.

To the father particularly belongs the instruction and training of a son, and to the mother that of a daughter, assisted as they may be by the surrounding community. As the child grows toward manhood, he takes on more and more the role of the adult and becomes less and less dependent on his parents. As the parents grow old and lose their powers the time arrives for the child to attend them in their declining years.

Cultural Prescriptions

In practice, of course, it does not always happen that way. The father can terminate the relationship at any stage that he will. Nor does it necessarily occur that mother and offspring will perform in the way described. Hence, there have usually been cultural prescriptions, religious sanctions, and, mayhap, legal enactments to insure the performance of these roles. The roles are themselves founded in nature, but the support of them is cultural.

"Paternal" is descriptive of and derives from the normal role of the father during the formative years of the child. A paternal state is one which assumes or imitates this role. Sweden was one of the first and may be thought of as the model of the paternal state. Until a more thoroughgoing one is devised, Sweden *is* the paternal state.

A qualification is in order. Human fathers have not been entirely replaced in Sweden. But a major shift of the functions of paternity from the father to the state has taken place.

To wit. There may be a gleam in the prospective mother's eye before

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conception ever takes place, a gleam aroused by the hope of reward. At the birth of an infant, the state steps forth and awards the mother over one thousand kronor (the Swedish monetary unit). Sometimes, a human father who was especially pleased has bestowed gifts on the new mother. The paternal state in Sweden has removed the element of chance; it is established by law and as sure as taxes.

Enter, the State

As incubation begins, the state stands by to perform vital paternal functions. There are "free" maternity clinics for expectant mothers and their unborn children, and Papa State will pay three-fourths of the cost of dental care. Should custom or remote location lead to the use of a midwife, the state will pay the fee. If the expectant mother needs transport at her appointed time, the paternal state will pay for the cost of the taxi, even if the infant should be born therein. Should they be so fortunate as to make it to the hospital, the service there is "free." If the new mother has been remuneratively employed, she need have no anxiety about her job. The state has established that she may have up to a total of six months leave which may be taken in any combination of prior to, during, and after the birth of the child.

There is one fly in all this ointment, however; in multiple births, the mother receives only one-half the award (only some 500 kronor) for each child above one.[2]

Having taken such pains thus far, it is hardly to be expected that the paternal state will abandon mother and child at the hospital. It will, of course, supplement the cost of housing for mother and child and, should the human father deign to live with them, for him as well. Should the mother be a "single parent," i.e., in a situation in which no wedding has preceded the birth, the state offers special attention and care. The state has caused to be built and set aside for their special use apartments for unmarried mothers. (As yet, no "swinging single" apartments have been built for unwed fathers.) There is also a category known as a "one-parent family," in which the parent may be either male or female, and the state offers aid to them in their undertaking.

Naturally, the paternal state provides support for each child regardless of the parental status of those with whom he dwells. The allowance to the mother for each child is 900 kronor per year. This particular payment ceases at the age of sixteen. In addition, if one of his parents dies, the child receives a "pension" of 1300 kronor. If both parents should die, the amount is increased to 1820 kronor. These payments stop at the age of sixteen also. Espe-

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cially needy families can apply for and get additional supplements for each child. Mothers who grow weary of attending children can apply to the paternal state for a holiday grant. The grant pays not only for travel to and fro but also for the costs while at the rest home. Of course, there is industrial insurance to protect workers from injury or disease when they are at their employment (paid for by the employer as required by the state), but compensation takes into account the value of housework lost as a result of being harmed on the outside job.

Child Care and Education

The paternal state has not neglected to provide day nurseries for small children, although such facilities are said to be in short supply. There are nurseries where children may be placed for the day. There are also afternoon homes for children in school who can come to them after school and be looked after and fed while the mother is at work.

It should come as no surprise that the paternal state in Sweden provides for the formal education of the children. Of course, the schools are "free," as are schoolbooks, dental care, and such psychological attention as the child may require. College and university students are assisted by various loans and grants. Nor is there any need for parents to concern themselves about the character or quality of education, for that has been determined by the state. Of late, there have even been two sorts of school in the land, one of which was initially somewhat experimental.

Children are sometimes sick and afflicted in Sweden as elsewhere, as are also adults. All treatment in Swedish hospitals and clinics is "free." If, however, a physician is called to the home, he must be paid by the patient who can then turn in the receipt and get a refund of about three-fourths of the amount of the bill. Taxis to and from hospitals must also be paid on the spot, but the cost can be reclaimed by the presentation of the receipt.

Once the child has grown up and is ready to marry, or at least set up housekeeping on his own, the fatherly state is on hand to make the transition easier. The state does not quite provide a dowry; it is rather more like a combination of loans and aids. There are housing loans available, and the state will come forth with up to 15 per cent of the collateral value of the house. In some circumstances, a rent subsidy may be forthcoming if that path is followed rather than purchase. A home furnishing loan can be obtained from the state also, with a maximum of 5000 kronor to those in the greatest need.

Just as natural parents are re-

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lieved of much of the responsibility for their children, so does the paternal state relieve children of the necessity for caring for their parents in old age. An elaborate system of old age pensions is established. "The idea is to provide every wage-earner, on retirement, with a substantial pension directly related to—in practice about two-thirds of—his or her earnings in his or her prime. There are upper and lower limits to qualifying incomes, that part of the income lying outside these lines not counting for the calculation of supplementary pension. The eligible sum is termed the *pension-bearing* income, and it is a percentage of this amount . . . which is payable by the employer in premiums. Self-employed persons must pay their own."[3] If an old person is not living in suitable accommodations, he can apply for housing in blocks set aside for old people. If, because of some debility, he should need occasional assistance this can be provided in his home. If he is no longer able to look after himself, he can go into an old people's home or into hospitals for the chronically ill.

Why No Baby Boom?

Now here is an anomaly. It might be supposed that with much of the burden of the child bearing and rearing removed from natural parents there would be a great baby boom. Moreover, an additional thrust in this direction has been provided by removing every stigma from bearing children out of wedlock (if one may employ so dated a term). But it has not turned out that way. As one writer says, "Sweden is extraordinary in its low birth rate and low rate of population increase."[4] As a matter of fact, the lump sum payment to the mother on the birth of a child was devised many years ago with the specific purpose of spurring an increase in births. To no avail. For some time now, Sweden has been encouraging immigrants to come in to augment the declining work force.

Cause and effect in human action is more complex than we may think. It takes place within a context much broader than man's simple legislation and piddling interventions. There is a law in physics that "For every action there is an equal and *opposite* reaction." (Italics added.) The working of the law may be illustrated in this fashion. When someone fires a gun there will be a kick from it. The kick from the gun is the equal and opposite reaction to the action of the bullet being fired from the gun. Reverberations (or repetitions) of action and reaction continue until the stock of the gun is still and the bullet has come to rest. The implications of this law are far-reaching, and we are justified in supposing that they extend to all happenings on this planet.

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Muted Reaction

What will be the equal and opposite reaction to the action of a paternal state conferring benefits on some portion of the population? No answer can be made to such a question in the abstract. One might as well ask how strong a kick a hunter will receive from firing a gun. The recoil of a weapon is, of course, in direct proportion to the size of the explosion which propels the bullet from the gun. The size of the explosion is determined by the amount of the charge in the shell. There is no meaningful limit to the potential variations in the charge.

On the other hand, the expression of the recoil depends upon the materials used and the design of the gun. In some guns, the recoil comes out in the rise of the barrel. In others, it is felt in the stock of the weapon. In some, there is no perceptible kick, owing to weight distribution in the gun. There are even what are called "recoil-less" weapons, by which we understand not that the law of compensation has been abridged but that the equal and opposite reaction has been so cushioned and dispersed that it can no longer be detected. All this is by way of saying that the character of the equal and opposite reaction is determined by the variables of the context within which the action occurs. It is, so to speak, a conditioned effect.

It is, then, the conditions in Sweden that determine the reaction to the actions of the welfare state. By many outward appearances Sweden is still a traditional land. There is the monarch, the royal family, the established church, and a government with roots deep into the past. Long observed festivals are reenacted, and folk songs and dances are performed as of yore. Much of the legislation which has brought forth the paternal state has a conservative cast to it. It is conservative to encourage young people to go out on their own and have their own housing. It is even more conservative to encourage marriage and the founding of families. The nurture and caring for children and seeing that they are housed, fed, clothed, and educated has about it a conservative aroma. That people should be looked after in their old age is of similar vintage.

The sound is not to be taken for the substance, however. Sweden is a profoundly different land from what it was at the beginning of this century. A traditional overlay survives; but beneath it, surrounding it, and now overwhelming it, is something quite different. Sweden is under the sway of the idea that has the world in its grip. Those who think of Sweden in terms only of a modified socialism with certain economic policies have not begun to grasp the extent of the change.

The great change has come in the

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rooting out of the moral, spiritual, and cultural foundations of the society. The established church is still there; old churches still stand sometimes and many new ones have been built. But attendance is exceedingly slim. Individuals are in the church registers, but such a status requires nothing by way of religious observance, and little is done. Marriages often take place in churches but the frequent divorces saw the bonds of ties in civil surroundings. A new "morality" has arisen, a morality without foundation in transcendent sanctions. Gradualism has slowly devoured what formerly existed and replaced it with something else.

A major tenet of the idea that has the world in its grip is that government shall concert all efforts and bring about a collective unity. The power over affairs is shifted from individuals and families inwardly directed by custom, tradition, and morality to a state driven by goals proclaimed for the future. The acquisition of this power comes by way of the promises which add up to a paternal state.

Motives Involved

What human motives are engaged from the populace in this shift of power to the state? Freud said that man wishes to return to the womb. Whether this is so or not, the present writer cannot profess to know. But it is clearly the case that there are aspects of childhood to which we would like to return if we have left or to retain if we are still there. Perhaps the most prominent one is freedom from responsibility. The child, the small child anyhow, ever has his material needs provided by someone else: he is suckled, diapered, warmed, and watched over by others. As he grows a little older he can arise at will, play until he is tired at whatever amuses him, and rest until he has recuperated. His is a life without the nuisance of responsibility and bounded only by the aggravations there may be in the exercise of external authority over him.

The paternal state grows on the tacit premise of restoring and maintaining an irresponsibility which has its roots in the childhood experience, then. It shifts the burdens of the adult to the state and, in hope, provides a perpetual childhood for the citizenry.

Within this framework it can be seen why the equal and opposite reactions to the actions of the paternal state are not what might be supposed. Why, when the paternal state has relieved so many of the burdens of parents and even provided rewards, is there not a baby boom in Sweden? Because—to put it in its simplest terms—the state has not relieved *all* the burdens, and that is the underlying promise and

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the expectation which its actions arouse.

Because expectant mothers grow large and unwieldy, have "morning" sickness, and their feet and legs are apt to swell on them. Because an infant is still brought forth in pain and suffering, even if the "free" taxi makes it to the "free" hospital. Because children still require a great deal of attention, however much assistance the state may provide. Because the bearing of children has its ultimate meaning within the framework of extended family, community, and moral and spiritual overtones. Because beaming grandparents are the human reward for a newborn child. Because the gathering of friends and relatives to inspect and "ooh" and "ah" over the infant is a normal incentive. Because Divine injunction supports replenishing the earth with children. Because the normal consequence of aroused sexual passion is conception.

Because socialists in devising the paternal state have tampered with and cut away the framework of bearing and nurturing of children and the purpose of the family. Because the idea of a perpetual child-like carefree existence would require that there be no children for whom to care. Because contraceptives and abortions are in accord with this idea rather than the bearing of children. Because the paternal state substitutes a cold and impersonal mechanism for the warmth that arises from the freedom and responsibility of normal human action. Because for every action there is an equal and opposite reaction, though the opposite reaction is the appropriate reaction to the action.

Because, in the final analysis, the paternal state is an anomaly. It is of the same character as the notion that there can be a rifle without recoil. The paternal state is a notion born of and promoted by hiding the consequences as the "recoil-less" rifle is an appearance achieved by design and materials. The state is an abstraction. Unlike a human father it neither toils nor spins. All that the state hands out as benefits must first be taken from those who labor. It is time now to look at the carefully concealed other side of reality hidden by socialist rhetoric. ⊕

Next: *17. Sweden: Tightening the Screws.*

—FOOTNOTES—

[1]Eugen Weber, *A Modern History of Europe* (New York: W. W. Norton, 1971), p. 813.

[2]These figures were taken from Paul B. Austin, *The Swedes* (New York: Praeger, 1970) and should be considered as illustrative rather than final, since the amounts do change from time to time.

[3]*Ibid.*, pp. 84-85.

[4]Donald S. Connery, *The Scandinavians* (New York: Simon and Schuster, 1966), p. 392.

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Lawrence W. Reed

What Price Control Really Means

"In the great chessboard of human society," observed the eighteenth century Scot philosopher and economist Adam Smith, "every piece has a principle of motion of its own, altogether different from that which the legislature might choose to impress upon it."

The belief that individuals are pawns to be pushed about by central planners is not new, as this statement by Smith clearly indicates. Indeed, socialism—the controlled society—has its roots in the actions of primitive man. When the first cave man clubbed his neighbor to expropriate the food his neighbor had gathered, he gave blunt, physical expression to the essence of socialist society.

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Two centuries after Adam Smith penned his eloquent defense of the right to be free from coercion, coercion is again in the ascendancy. It is seen by many as the "quick fix," the answer to chronic problems, a panacea that will bring order out of chaos. In 1795, James Madison described this phenomenon as "the old trick of turning every contingency into a resource for accumulating force in goverment."

The issue of price control provides an excellent illustration. Invariably, as prices rise due to an expanding money supply, talk is heard that government must impose controls. The fact that such talk is becoming more and more prevalent these days may be a warning that price controls loom on the horizon. Therefore, it is absolutely essential to the debate

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that all be made aware of the true implications of government price-fixing. Just what is it that control of price by central planners means? What are we abandoning when we embrace the idea?

Forcing People to Conform

The object of price control is really not the control of trillions of numbers and dollar signs in the economy. Price control is merely an excuse to coercively dictate the terms of trade between *people*. The penalties for violating price control edicts are levied on *individuals*. Jails and fines are made for people, not for prices. In Revolutionary France, those individuals who dared to trade at prices not in conformity with the "Law of the Maximum" paid a visit to the guillotine.

When government fixes price, coercion is substituted for voluntary exchange. Price is no longer determined peacefully in the market place of free and willing trade. Economic consequences must follow and they are easily discernible in light of the two functions of price.

One function is to allocate scarce resources. When anything is scarce, as all economic goods are, it must be rationed. Supply must somehow be equated with demand. If the market place be imagined as a huge auction, the problem becomes one of who shall get what quantity of the goods to be auctioned. Do we draw straws, or beat each other up until the number of survivors equals the number of goods? Would it make sense to line everyone up, fire a gun, and declare that the fastest runners shall receive the goods?

The economic way to ration scarce resources is through the price system. By way of the "market price," supply and demand meet, the market is cleared, and scarce resources are allocated. In so doing, chronic shortages and surpluses are avoided, the productive process is left unharmed, and peaceful exchange becomes the reigning principle. It is a perfectly natural process; all that is required for it to take place is for men to be left alone to pursue their own desires and abilities.

Price also directs production, its second function. Businessmen are professional price-watchers. If consumer demand for a product increases, consumers are willing to pay more for that product. This puts pressure on price to rise, which raises profit margins. In order to take advantage of this profitable situation, businessmen increase their production. The process works in the other direction too: declining consumer demand will mean falling price and falling profit margins. In that case, price will "signal" producers to abandon that line of production and enter another where the demand is more urgent. In the free economy, it is not necessary for the

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government to issue an edict to the farmer, "Grow wheat; the people want bread." It is not necessary for the government to instruct a manufacturer, "Make televisions; the people want entertainment." The marvelous mechanism of price does the job far better than the noblest and wisest politician.

Economic Disruption

The economic consequence of government price control is economic disruption. A controlled price will still allocate resources, but not in accordance with supply and demand. Likewise, a controlled price will still direct production, but not in the same directions as consumers, by their voluntary purchases, would have dictated. The signals are falsified and distorted by fixed prices. The history of price control in America and everywhere else has been the history of shortages, queues, and popular disaffection.

The economic effect is but one aspect of price control. A moral question is also involved. By what right does any party coercively dictate the terms of trade between others? By what twisted principle of justice is one penalized for trading with another at a mutually-agreed upon price?

Price control is a form of public theft. In the name of "the public good," the authorities are empowered to force their particular values on others. The victims are all those deprived of the opportunity to trade or to trade on terms which they regard as satisfactory. Price control breeds a spirit of lawlessness, a network of spies and informers, and is unmistakably a hallmark of an immoral society.

To those who are committed to price control, these arguments perhaps will not be sufficient to dissuade them. They may reply that whatever evils price control might produce can be corrected at the ballot box. The people can supposedly use their political liberty to counterbalance their loss of economic liberty. To make this assumption is to ignore the manifest threat to political liberty that price control poses.

It is no exaggeration that *the economic order determines the political order*. If people are so controlled economically that their every move is subject to scrutiny by the State, then they can be effectively silenced by the State. "Control of a man's subsistence is control of his will," wrote Alexander Hamilton. It is inconceivable that economic freedom can be lost while political freedom remains intact. A brief glance at history confirms what theory teaches.

In the mercantilist period, roughly 1500 to 1800, the State controlled the economy. The subjects did not elect their kings and queens.

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In the thousand years of feudalism, the State controlled the economy. The serfs did not vote their masters to power.

In modern-day Russia, the State controls the economy and two hundred fifty million Russians are governed by a single political party.

In similar fashion, it is no coincidence that Adam Smith's ideas of economic liberty nurtured ideas of political liberty in the nineteenth century. Because price controls empower the government to establish a vital command post over the economy, they would sow the seeds for the loss of political liberty as well.

Will Americans endorse a policy of price control? If they have lost faith in the free society they more than likely will. If the power of price is delivered from the market place to the politicians, surely ignorance of the grave implications will be the proximate cause.

IDEAS ON LIBERTY

Closing the Market

TO TRADE is to exchange one item for another, as butter for coal. Each party to any trade is both a buyer and a seller, and a person must be satisfied in that dual capacity before he will trade voluntarily.

When the government intervenes to force a change from the free market price, the theory is that one of the parties to the trade will gain at the new price. The idea usually is to help the underdog, whether it be the poor consumer and his family, or the poor farmer, or the poor infant industry, or the poor employee, or the poor Defense Department of the government, or whatever. But the theory is false. It still takes two to make a trade. To arbitrarily change a price for the benefit of one party to the bargain necessarily means a change to the other party's disadvantage. And it is always that forgotten *other party* who will not bear the attempted charge. If the government raises the price of butter above its free market level, the owner of coal will not voluntarily trade as much as before. He doesn't want less butter for more coal. So, instead of helping the presumed underdog, the government intervention only drives from the market some of the chances for the underdog to get what he wants through trade.

PAUL L. POIROT, "More than the Traffic Will Bear"

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Edmund A. Opitz

Constitutional Restraints on Power

AMERICAN political institutions presuppose certain convictions about human nature, the worth and prerogatives of persons, the meaning of life, the distinction between right and wrong, and the destiny of the individual. The Colonists came to their understanding of these matters as heirs of the intellectual and religious heritage of Christendom—the culture whose shaping forces sprang from ancient Israel, Greece, and Rome.

Given the consensus of two centuries ago—which regarded man as a sovereign person under God—it was only logical to structure government so as to expand opportunities for the exercise of personal freedom. The Constitution is clearly designed to maximize each individual's equal right to pursue his own peaceful goals and enjoy the benefits and responsibilities of ownership.

The Declaration of Independence put into words what nearly everyone was thinking, that personal rights and immunities are ours because we are created beings, that is, we manifest a major purpose and intent of this universe. This implies a firm rejection of the alternative, which is to assume that we are the mere end products of natural and social forces, adrift in a meaningless cosmos. For if the universe is meaningless, then no way of life is any more meaningful than any other; in which case Power has no limits.

Our forebears had firm convictions about the purpose of life, and knew that in order to achieve life's

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transcendent end Power must be limited: "Resistance to tyrants is obedience to God," they declared. If life is viewed in these terms, how shall we conceive the proper scope and competence of government? What is its role in society? What functions should we assign to it?

Government is the power structure of a society. This is the first and most important fact about the political agency, that it has the legal authority to coerce. The second thing is to inquire whether the power wielded by government is self-sprung, or delegated by a more comprehensive authority than the merely political. Does government rule autonomously or by divine right; or is the real power located elsewhere and merely loaned to government? The Constitution is clear on this point; the power is in the people to lay down the laws which Power must obey. They set it up; they tell it what to do.

"We, the People of the United States," reads the Preamble, "do ordain and establish this Constitution for the United States of America."

Specific Limitations

The people empower an agency to do certain things for them as a nation, but if we isolate the provisions they laid down to limit government the prevailing intent or consensus which made the Constitution its political tool becomes clearer.

> The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people. *Amendment X*

The people, furthermore, possess a body of rights by native endowment above and beyond those mentioned in the Constitution.

> The enumeration in the Constitution of certain rights, shall not be construed to deny or disparage others retained by the people. *Amendment IX*

These sovereign people shall be free to worship, speak, and publish freely.

> Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof. *Amendment I*

> Congress shall make no law . . . abridging the freedom of speech. *Amendment I*

> Congress shall make no law . . . abridging the freedom . . . of the press. *Amendment I*

Voluntary association is the corollary of individual liberty, and this is emphasized, as well as the right of petition.

> Congress shall make no law . . . abridging . . . the right of the people peaceably to assemble. *Amendment I*

> Congress shall make no law abridging . . . the right of the people . . . to petition the Government for a redress of grievances. *Amendment I*

The old world divisions of mankind

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into castes and orders of rank are to be no more.

> No title of nobility shall be granted by the United States. *Article I, 9*

Every citizen shall have a right to participate in the processes by which the nation is governed; and, should he desire to run for public office he shall not be put to a creedal test.

> The right of the citizens of the United States to vote shall not be denied or abridged. . . .
>
> *Amendments XV and XIX*

> No religious test shall ever be required as a qualification to any office or public trust under the United States.
>
> *Article VI*

Freedom to Trade; No Special Privilege

Commerce makes for a free and prosperous people, so restraints on trade shall be removed.

> No tax or duty shall be laid on articles exported from any State. . . . *Article I, 9*

> No preference shall be given by any regulation of commerce or revenue to the ports of one State over those of another. *Article I, 9*

Progressive taxation violates the principle of equal treatment under the law—penalizes ability, and lowers productivity, so it is forbidden.

> No capitation, or other direct, tax shall be laid, unless in proportion to the census. . . . *Article I, 9*

The public treasury shall be inviolate; government shall not confer economic privilege on some at the expense of others.

> No money shall be drawn from the Treasury, but in consequence of appropriations made by law. *Article I, 9*

Personal privacy shall be respected and jealously guarded.

> The right of the people to be secure in their persons, houses, papers, and effects . . . shall not be violated.
>
> *Amendment IV*

Conflict is a built-in feature of human action, and when collisions of interest do occur in society, the rights of the individual must be maintained.

> No person shall . . . be deprived of life, liberty, or property, without due process of law. *Amendment V*

> Nor shall private property be taken for public use without just compensation.
>
> *Amendment V*

Strings on the Military

In some nations, the civilian life is a mere appendage to the military. This will not happen here because civilians control the purse strings.

> No appropriation of money (to raise and support military and naval forces) shall be for a longer term than two years. *Article I, 8*

As a further safeguard against any future militarization of this nation, the civilian sector must have the means for defending itself.

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> The right of the people to keep and bear arms, shall not be infringed.
> *Amendment II*

In some countries, criminal proceedings are used to entrap citizens, whose guilt is assumed; the burden of proof is on them to show their innocence. Here, the innocence of the accused is assumed, until his guilt is proved. The law shall not reach backward to designate as criminal an action which until then was innocent.

> No . . . *ex post facto* law shall be passed.
> *Article I, 9*

There shall be no Star Chamber proceedings.

> No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a Grand Jury. *Amendment V*

Protecting the Accused

The accused is protected against illegal imprisonment, and must be informed of the charges against him.

> The privilege of the write of *habeas corpus* shall not be suspended.
> *Article I, 9*

Punishment shall fit the crime; it shall not mean extinction of civil rights, forfeiture of property, or penalties against kin.

> No bill of attainder . . . shall be passed.
> *Article I, 9*

The accused is entitled to be tried by his peers.

> . . . the right of trial by jury shall be preserved. *Amendment VII*

There is to be no forced self-incrimination.

> Nor shall [he] be compelled in any criminal case to be a witness against himself. *Amendment V*

The rights of the accused are summarized:

1. . . . a speedy and public trial, by an impartial jury;
2. Within the district wherein the crime shall have been committed;
3. . . . to be informed of the nature and cause of the accusation;
4. . . . to be confronted with the witnesses against him;
5. . . . to have compulsory process for obtaining witnesses in his favor;
6. . . . and to have the assistance of counsel for his defense.

Amendment VI

Even when found guilty, the accused is protected.

1. Excessive bail shall not be required;
2. Nor excessive fines imposed;
3. Nor cruel and unusual punishments inflicted. *Amendment VIII*

Treason

Treason is a crime against the nation, so serious that it must be defined with special care.

> Treason against the United States, shall consist only in levying war against them, or in adhering to their enemies, giving them aid and comfort.
> *Article III, 3*

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The person judged guilty of treason is personally responsible for his crime, and therefore his family and kin shall not be punished.

> No attainder of treason shall work corruption of blood. *Article III, 3*

Impeachment is a special case.

> The Senate shall have the sole power to try all impeachments . . . and no person shall be convicted without the concurrence of two-thirds of the members present.
>
> Judgment . . . shall not extend further than to removal from office, and disqualification to hold any office of honor, trust or profit under the United States. *Article I, 3*

A blind spot in the original Constitution is corrected.

> Neither slavery, nor involuntary servitude, except as punishment for crime . . . *Amendment XIII*
>
> No state shall . . . deny to any person within its jurisdiction the equal protection of the laws. *Amendment XIV*

The separate states are not wholly sovereign.

> No state shall enter into any treaty . . . coin money . . . pass any law impairing the obligation of contracts. *Article I, 10*

The Method of Freedom

There is a strong penchant in human nature which impels people who feel strongly about something—a good cause, say—to group their forces and use the power of government to fasten their panacea on those they've been unable to persuade. The Constitution is a prime example of the limitations placed upon governmental power so that people with a cause to advance must resort to education, persuasion, and example only. This is the method of freedom, and a people committed to the method of freedom find the Constitution still an apt instrument for structuring a society which maximizes freedom and opportunity for all persons. It was designed to establish a national government internally controlled by checks and balances between the separate powers. And government was to be further limited by the federal structure itself, in which the centripetal power of Washington was to be offset by the centrifugal powers of the separate states. It was not a perfect document, but it carried the means of its own correction, and it did embody the consensus of the people for whom freedom was the prime political good. It was workable. And it will work again whenever a significant number of people have the force of intellect to comprehend sound ideas, and the force of character to make them prevail.

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BEYOND FAILURE:

How to Cure a Neurotic Society

FRANK GOBLE, author of *Beyond Failure: How to Cure a Neurotic Society* (Caroline House Books, Green Hill Publishers, Inc., Ottawa, Illinois 61350, $10, foreword by Henry Hazlitt), has a great vision. He wants to establish what he calls a People's Project, a "national mobilization of resources to solve human problems using the same approach that placed astronauts on the moon." The ideas which he hopes to disseminate are based on the so-called Third Force psychology of Dr. Abraham Maslow, who revolted against both Freudianism and Behaviorism on the ground that they are "cripple philosophies" which ignore whole stretches of human history and endeavor. What Mr. Goble has to say about the "cripple philosophies" is perfectly true, but his theory that one can apply the moon-shot approach to the solution of social problems ignores a host of difficulties. History is always a ragged process, and great changes never come about overnight.

Putting men on the moon was a purely physical process. Once the money had been approved to carry it out, a "task force" approach became feasible. The problem was to provide astronauts with oxygen to breathe and food and water to sustain themselves while riding a ballistic arc to a celestial destination. The technology of rocket-launching was already in place when the task force tackled its mission. The personnel was ready: World War II had produced a resourceful air force whose adventurous pilots were yearning for something challenging to do. The

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rest was simple, and its accomplishment involved little controversy once it had been accepted as a national objective. Whether people should have been taxed for the job is, of course, another story. It was easy, however, compared to engineering a big change in society.

Some Vital Adjustments as Prelude to Reform

Before a task force could be assembled to rout the devils of Freud and Behaviorist John B. Watson, not to mention B. F. Skinner, and to re-establish the Natural Law ideas of our Founding Fathers in the schools, a political sea-change of massive proportions would have to be brought about. The National Education Association would have to be deprived of its grip on American teachers. The big labor bosses would have to accept a formula for relating wage-increase demands to a well-understood productivity standard. Congress would have to withdraw subsidies from a thousand angry pressure groups. And our Washington bureaucrats would have to abandon the Nanny approach to the institutions they are supposed to regulate. As for regulation itself, it would have to be dispensed with, save in the few clear instances where the public health is involved.

Meanwhile, our educators would have to rehabilitate the American Ethic. They would have to begin teaching history again. Naturally, all of this would involve skirmishes on a thousand fronts, not a single dedication to a moon-shot-type "people's project." Mr. Goble is faced with the problem of setting in motion a Fabianism-in-reverse on a wide front before he can hope to see a final victory for what he calls Responsibility Theory.

When he desists from his moon-shot and Manhattan Project analogies, Mr. Goble talks eminent and inspiring common sense. His book is first-rate analysis. As he says, Freud erred by confusing neurotics with normal people: not everybody is bedeviled by aggressive instincts or is helpless to control his libido. According to Richard LaPiere, a Stanford sociologist, the Freudian ethic resulted in the idea "that man cannot and should not be expected to be provident, self-reliant, or venturesome, and that he must and should be supported, protected, socially maintained." The American Ethic, as defined by the Founding Fathers, had entirely opposite presuppositions, and it worked for several generations before Freud was ever heard of in this country.

"Responsibility Theory"

The Maslow-Goble Third Force idea rejects Freud and the anti-free will Behaviorists in favor of Responsibility Theory which assumes that

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human babies are born with socially constructive instincts that are conducive to the survival of their species unless they are mistaught by permissive theorists to expect to have things handed to them on a platter.

It is permissiveness, according to Goble, that has ruined our educational system. Where there is no truth, anything goes. The idea that science must be value-free or value-neutral has resulted in a preoccupation with averages. The "well-adjusted person" won't quarrel with the average. The well-developed person, on the other hand, will reject the idea that he must settle for mediocrity. He will insist on having values of his own. What our educational system should do, according to Maslow-Goble Responsibility Theory, is to inculcate the idea not of "adjustment," but of "self-actualization," which is described as "the full use and exploitation of talents, capabilities, potentialities." Instead of studying the worst of humanity, as the Freudians do, Responsibility Theory would concentrate on "the less than one percent of society that had achieved self-actualization." Dr. Maslow preferred to have his students read about "peak experiences" in the lives of heroes such as Lincoln, Jefferson, William James, Albert Schweitzer, Jane Addams and, oddly, Eleanor Roosevelt.

Character Education

There are the elements for a good Fabianism-in-reverse in the U.S., and Mr. Goble mentions a few. He tells about the Character Education Projects sponsored by the American Institute for Character Education in San Antonio, Texas. One of these projects, at Public School 63 in Indianapolis, Indiana, has been active for six years and has restored both school and individual pride while reducing vandalism to a minimum.

Such projects would have a bigger chance in private schools, where there would be less apathy to overcome, but Mr. Goble presumably doesn't want to get into the public-versus-private school fight. He wants to work through "existing institutions." He hopes to see a nonprofit People's Project Corporation formed to push his ideas. The Corporation, by "mass-marketing" educational and motivational programs to existing institutions whether public or private, would, he thinks, act as a catalytic agent to reduce costs of government, inflation, unemployment, crime, drug abuse, illegitimacy, welfare rolls and "other destructive problems."

It is a grand idea, but since there aren't enough Gobles to go around, wouldn't it be more realistic to take a one-community-at-a-time approach? After all, nothing succeeds like one good example.

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THREE NEW BOOKS by Ludwig von Mises

Reviewed by Henry Hazlitt

NOTES AND RECOLLECTIONS
by Ludwig von Mises
(Libertarian Press, South Holland, Illinois)
181 pages • $9.95

WHEN Ludwig von Mises died on October 10, 1973, at the age of 92, even his most devoted readers, and those privileged to know him personally, assumed that everything he had written, in German or English, had already been published. But his widow Margit now reveals that immediately after they emigrated to this country in August 1940, Mises set to work on a manuscript that he turned over to her at the end of the year, with the simple instructions to "take good care of it." It was not until some time after his death, thirty-three years later, that she remembered it. It turned out to be the present remarkable combination of autobiography and critique of the intellectual milieu in Mises' native Austria in the years when he was growing up.

He was "devouring" articles on history when he was seven years old. When he graduated from high school he decided to study law. But he was also reading in economics. In the German-speaking world Schmoller was then "adored as the great master on 'political economy.'" But when Mises was still in high school, he tells us, he "noticed a contradiction in the position of the Schmoller circle."

When he entered the university he, too, he confesses, "was a thorough statist. But in contrast to my fellow students I was consciously anti-Marxian. . . . When I finally engaged in an intensive study of the important works of Marx, Engels, and Lassalle, I was provoked to contradict them on every page. It seemed incomprehensible to me that this garbled Hegelianism could exert such an enormous influence."

Yet he continued to be an ardent interventionist and "reformer" until one of his professors induced him to research housing conditions and another suggested he study the legal

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changes regarding domestic servants. "It then dawned on me that all real improvements in the condition of the working classes were the result of capitalism; and that social laws frequently brought about the very opposite of what the legislation was intended to achieve."

In 1913 Mises was admitted to the faculty of law at the University of Vienna as an unsalaried lecturer, and in 1918 he received the title of Associate Professor. But that was as far as he was destined to go there. "A university professorship was closed for me," he writes: "The universities were searching for interventionists and socialists."

He did receive a position in the Vienna Chamber of Commerce, however, and from there he began to exert his real influence. At his office, every two weeks, he conducted a small seminar consisting of 20 to 25 students. It was from this small group that such famous economists were to emerge as F. A. Hayek, the Nobel laureate, Gottfried Haberler, Fritz Machlup, Oskar Morgenstern, and Eric Voegelin.

The "Austrian School"

The great intellectual influences in Mises' own development were, of course, the founders of the "Austrian school," Carl Menger and Eugen von Boehm-Bawerk. Mises arrived too late at the University of Vienna to have Menger as a teacher, but he recalls that around Christmas, 1903, he read Menger's *Principles of Economics* for the first time: "It was the reading of this book that made an 'economist' of me." Fortunately, Mises was able to attend the seminars of the great Boehm-Bawerk.

Mises' own outstanding contributions included his work on money, which finally unified monetary theory with economic theory in general, his demonstration that socialism must fail because it cannot solve the problem of "economic calculation," and his recognition that economics is merely a part, though by far the greater part, of a wider science of Human Action. He was beyond question the foremost economist of his generation.

Yet this is in the main a sad book. As Mises matured intellectually, he came to recognize that Austrian thought and culture were already in decline. Menger and Boehm-Bawerk were still alive; but they were being succeeded by mediocrities who failed to grasp their revolutionary insights. Menger was "discouraged" and "silenced." "The evening of Boehm-Bawerk's life was darkened by his fears for the future of Austria and its culture." He died a few months after the outbreak of World War I. Mises got the news when he was with his artillery battery at the front.

There was more misfortune to

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come. Mises lived to see the rise of Hitler. Driven from Vienna by the threat of a Nazi takeover, he spent six comparatively happy years as a professor at the Graduate Institute of International Studies in Geneva. But the outbreak of World War II made it seem to him once more advisable to emigrate, this time to the United States, in August 1940. In the months when he was writing the present book, he had no knowledge of the future he would have in his new country.

That future too, in its early years, was to prove full of anxiety and difficulties. With the help of American friends, he was finally, in 1945, appointed Visiting Professor at the Graduate School of Business Administration of New York University. Even then his salary did not come from the university's own general funds, but had to be provided by friends and foundations.

Some of us may regret that Mises' great personal reticence kept him from telling more about his early childhood and his emotional life, but we can still count ourselves fortunate to have this important addition to his legacy.

The book is preceded by the short Foreword by Margit von Mises, and followed by an admirable Postscript of thirty pages, describing Mises' later years and works, by his friend and student, and translator of this volume, Professor Hans F. Sennholz.

A CRITIQUE OF INTERVENTIONISM
by Ludwig von Mises
(Arlington House, New Rochelle, New York)
164 pages ■ $8.95

Essays collected in *A Critique of Interventionism* were written in the early 1920's, and published in German in 1929. They are now issued for the first time in an English translation by Professor Sennholz. The English title almost exactly follows the German—*Kritik des Interventionismus.*

The American reader familiar with Mises' other work will find no ideological surprises. But what will probably impress him most is precisely this—that as early as the mid-1920's Mises' economic philosophy, and his main conclusions, were already formed. He was astonishingly immune from the then almost universal fashion in respectable economic circles, which rejected both laissez-faire capitalism and outright socialism, in favor of a so-called "middle road," which accepted only qualified property rights, subject to overriding government interventions and controls.

In the 1920's Mises was not only keeping abreast of all the major output on economics in Europe, but paying tribute to the contributions

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of such American writers as John Bates Clark, Taussig, Fetter and Davenport. But he had little patience with the work of the self-styled American Institutionalists and he was unsparing, for example, in his dissection of the fallacies of such advocates of "social control" as John Maurice Clark.

The main theme of this book, as its title makes clear, is not only the needlessness, but the immense harm done by government intervention in economic affairs. He defines intervention as "a limited order by a social authority forcing the owners of the means of production and entrepreneurs to employ their means in a different manner than they otherwise would." More briefly, he defines interventionism as "the hampered market order." And he goes on to show why, in the long run, it can never achieve the objectives which the authorities aim to achieve.

All interventions consist of a prohibition or compulsion or a combination of both. Among the outstanding examples are price controls and wage controls. What are usually prescribed are price ceilings or minimum wages.

Price Controls, and Where They Lead

In dealing with price ceilings, Mises begins by pointing out that the constellation of prices at any time is not haphazard or accidental, but has been determined precisely—or at least within narrow limits—by the interrelations of supply, demand, costs, and similar factors. But those who believe that the formation of prices is purely arbitrary easily arrive at the conclusion that they should be fixed by external regulation.

When prices are held down by government edict, however, two results inevitably follow. More of the price-fixed goods are bought, and less are produced. To limit consumption, the government must resort to rationing. To restore profit margins and production, it must fix the price also of raw materials, and eventually wage rates, and force businessmen and workers to produce and labor at these prices.

In short, the government must proceed step by step to comprehensive control over labor and production. But this was not what it started out to do. It wanted the buyers to enjoy the goods at lower prices, not to deprive them of the opportunity to buy the goods at all.

When, on the other hand, government tries to fix minimum wages, it forces an increase in costs of production and also in prices. Either profit margins are wiped out or fewer goods are sold, and as a result workers are laid off. If the laid-off workers are then paid unemployment compensation, the government

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creates a permanent body of unemployed.

In addition to interventionism properly so called, one or two of the essays in this book discuss such topics as socialism, Marxism, anti-Marxism, and the nationalization of credit. But the reasoning throughout leads to the conclusion that interventionism must disorganize production, and that in the long run there is only one alternative for economic organization: either capitalism or socialism. "There is no third road."

ON THE MANIPULATION OF MONEY AND CREDIT
by Ludwig von Mises
(Free Market Books, Dobbs Ferry, New York)
296 pages ■ $14.00

We come now to the volume *On the Manipulation of Money and Credit*. In 1912 Mises published in German the first edition of *The Theory of Money and Credit*. There he first developed what has since become known as the "Austrian" theory of the trade cycle. In 1928, he elaborated and perfected this theory in an essay of more than 100 pages.

This essay is the main single item now for the first time translated into English and presented together with three other newly translated items. These are an article on "Stabilization of the Monetary Unit" (1923), one on "Causes of the Monetary Crisis" (1931), and one published in 1933 on the then existing state of business cycle research. The translations are by Bettina Bien Greaves, and the book is edited with an Introduction and an Epilogue by Percy L. Greaves, Jr.

Readers sufficiently acquainted with the work of Mises that has hitherto been available in English will already be familiar with the general outline of his business cycle theory. Even under a (fractional reserve) gold standard, governments and central banks permit or encourage an artificial lowering of bank interest rates. This stimulates the demand for bank loans beyond the amount of real savings available for lending. The increasing demand for bank loans is then met by inflationary increases in the quantity of money and credit. The first recipients of the newly-created funds use them to launch or expand business ventures for which the required real factors of production must be withdrawn from the particular pattern of production that would otherwise have been preferred by consumers. In other words, the pattern of production becomes distorted and misdirected, and increasingly so the longer the credit expansion continues, until the boom ends in an inevitable bust and depression.

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Mises elaborated his trade cycle theory both in subsequent editions of *The Theory of Money and Credit* (e.g., 1953) and in *Human Action* (1949). He also presented elsewhere much of the substance of the other papers translated in this volume. Nevertheless, Mises never repeated himself mechanically or by rote. Whenever he came back to the same problem he addressed it afresh, almost as if he were solving it for the first time. As a result each exposition threw its own special illumination on the problem, or supplied some connecting link that his other expositions may have omitted to make quite so explicit or clear. This the present trade cycle essay notably does. Consequently we owe the present translator and editor our gratitude for making these important contributions at last available in English.

* * *

In spite of his great gifts for exposition, Mises' contributions were much misunderstood during his lifetime, and are still often misunderstood today. A recent example is an article on Wilhelm Roepke by Patrick M. Boarman in the Autumn 1977 issue of *The University Bookman*. Roepke, writes Boarman at one point, "remembered von Mises saying that if only the principles of free trade had been followed from the beginning, World War II might never have happened. I don't remember Roepke's exact reply to this, but he was, in effect, struck dumb. And he remarked to me that it was incredible that anyone with a fair knowledge of German or of European history could reduce the German question—the darkest and most sombre question of the age, with myriad roots reaching back hundreds of years—to a mere set of economic arrangements."

Yet Mises was right. If free trade were a sort of isolated accident, Roepke might have been warranted in being "struck dumb." But free trade is a result of a state of public opinion within the country that has adopted it. It means that the people generally recognize the advantages of international trade (particularly of imports) and recognize equally the advantages of international cooperation. In such an atmosphere the fanatic and belligerent nationalism that leads to war is very unlikely to exist.

To resume the quotation from Boarman: "For Roepke, this kind of economic determinism, though employed in defense of capitalism, is just as fallacious as the Marxian version of economic determinism, directed to the justification of the dialectic."

Equating Mises with Marx is something new. Mises was merely reasoning from cause to effect. Only in this sense were his remarks "de-

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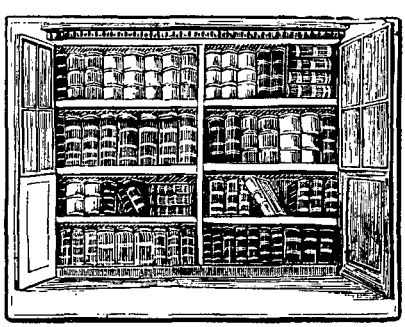
terministic." But all science is "deterministic" in this sense. Marx's economic determinism was of a different sort. It was mystical. It was a one-way determinism in which the "material productive forces" determined everything else—even the ideology of the people—but it was itself not explained by any preceding cause. As Mises himself once pointed out—for he was, among other things, Marx's most devastating critic—"It never seems to have occurred to Marx that the productive forces are themselves a product of human thought, so that one merely moves in a circle when one tries to derive thought from them." ⊕

Editor's Note:

Each of the above three volumes is available, at prices listed, from The Foundation for Economic Education, Irvington-on-Hudson, New York 10533



IT'S NO SIN TO BE RICH: A DEFENSE OF CAPITALISM
by William Davis
(Thomas Nelson, Inc., 407 Seventh Ave., S., Nashville, Tenn. 37202)
264 pages ■ $8.95

Reviewed by David A. Pietrusza

WILLIAM DAVIS is well known in the United Kingdom as an influential financial editor and columnist and as the sprightly editor-in-chief of the famed humor magazine, *Punch*. He combines economic expertise with an eye for the absurd to provide a self-confident, breezy, often anecdotal look at modern economic thought, focusing on the prejudices which bias the public attitude against achievement, success, and private profit in business.

Ironically enough, he opens his counterattack by quoting Marx himself on the value of the capitalist in history: "The bourgeoisie has been the first to show what man's activity can bring about. It has accomplished wonders far surpassing Egyptian pyramids, Roman aqueducts and Gothic cathedrals . . . the bourgeoisie . . . draws all nations . . . into . . . civilization . . . it has created enormous cities . . . and thus rescued a considerable part of the population from the idiocy of rural

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life . . . the bourgeoisie, during its rule of scarce one hundred years, has created more colossal productive forces than have all the preceding *generations together*."

Davis rips apart the myth of worsening conditions at the beginnings of the Industrial Revolution, dissects the glaringly inaccurate predictions of Marx and Engels in regard to the inevitable crumbling of capitalism, scores the results of Marxist theorizing in both its Communist and Socialist offshoots, and even ventures so far as to heartily defend the nineteenth-century Captains of Industry that today are popularly derided as "Robber Barons."

In most countries of the world today business is under attack; it must propitiate the politically powerful in order to survive. Blackmailed by officials, it pays protection money and is accused of bribery. Davis does not excuse or condone bribery, but merely describes the situation in which certain businessmen find themselves. He quotes an oil company executive as saying, "I would like to ask some of the people who are becoming close to *sanctimonious* humbugs just what they would do if they had two hundred million dollars invested in a country, and a politician, with a death warrant in his pocket, came along and said, 'give me ten million or else'—and the 'or else' can take several forms. Would they pay it or would they refuse to pay it? And if they did pay, would they say it was a bribe or would they not call it by its proper name—*extortion*?"

Then there is the menace of unionism in Davis' Britain. England's labor movement fanatically attempts to wring the last remaining shilling out of that nation's industrial establishment, while disclaiming any responsibility for the country's economic health or even its survival. Through compulsory unionism, big labor's grip on even the highly-individualistic profession of journalism grows more vise-like every day. Strikes have shut down the printing trades and thus endangered press freedoms: but also, incredibly, unions have gained control of access into the reportorial and editorial fields themselves.

"An eighteen-year-old beginner," says Davis, "however talented, now has little or no chance of joining a national newspaper. The closed-shop system, as applied in the seventies, deliberately prevents many potentially good journalists from getting into the profession—and keeps many bad ones in it. It also presents a *quite genuine threat to the freedom* of the press. It is intolerable that editors should no longer be permitted to employ the best available talent and equally intolerable that the opinions of journalists—and cartoonists—should be subject to the

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censorship of trade-union militants."

Like an efficient and personable tour guide, Davis touches all major points of interest, provides new insights, and yet maintains a leisurely and amiable pace. *It's No Sin To Be Rich* provides a sturdy defense of the diversity, prosperity, and freedom that a market economy makes possible.

THE PEOPLE SHAPERS
by Vance Packard
(Little, Brown & Company, 200 West St., Waltham, Mass. 02154, 1977)
398 pages ■ $12.50

Reviewed by Thomas L. Johnson

IN order to win a battle one must know the enemy and understand his tactics. This is just as true of the battle for freedom as for any other struggle. This book describes "the enemy's" various techniques of people-control: Skinnerian behavioral conditioning, brainwashing and reprograming, mood managing, hypnosis, imprinting, personality altering via brain surgery or electric shock, and others. A well-known psychologist is quoted: "We can choose to use our growing knowledge to enslave people in ways never dreamed of before, depersonalizing them, controlling them by means so carefully selected that they will perhaps never be aware of their loss of personhood." It is a startling and frightening account.

Some of these techniques are already in use, to a far greater extent than generally realized. Packard cites *Science Digest* as his authority for saying that an estimated 500,000 to 2,000,000 school children have been put on amphetamines or Ritalin in order to drug these children into a more passive state. And "in some cases. there appears to have been a clear element of coercion: threats to hold back a child or put him in some class with a disabled label" if parents refused to allow him to take the recommended drug.

Packard reminds his readers that schools are institutions of government and then asks: "Are schools in general exerting, however subtly, any kind of governmental pressure to get children on behavior-modifying drugs?" Good question, and one which would be answered in the affirmative by certain parents who are currently involved in a lawsuit in which they contend that, for some children, the taking of Ritalin was made a condition of attending public school.

The author goes on to describe forced drugging in other societal in-

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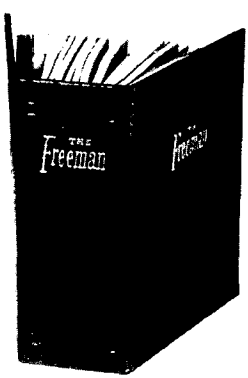
stitutions such as prisons, mental institutions, homes for the aged, and the like.

Part II of *The People Shapers* discusses the many and varied techniques, mainly biological, which are being used now or will be used in the near future in order to reshape man. This section reads like science fiction except for the fact that it reveals many possibilities, such as that of cloning man or resetting his biological clocks, that are on the verge of happening.

Packard ends his enlightening, thought provoking, and sometimes shocking book by discussing some new trends that can enhance individual self-direction, and how it may be possible to control the would-be controllers. One may not agree with some of his suggestions for improvement or for safeguarding individual rights, but the reader is certainly prodded into thinking about many difficult and serious matters that every believer in liberty will want to ponder.



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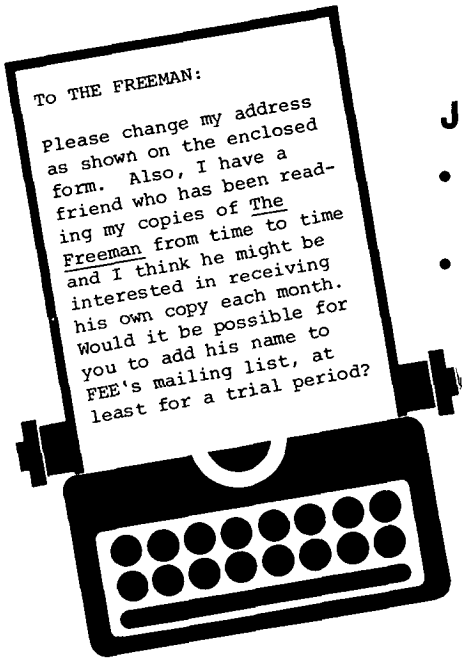
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